GST & BAS Workshop

Understanding the Business Activity Statement

Applied Education

Welcome

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Welcome to Applied Educations GST & BAS course.

This publication is not written to provide legal, accounting or taxation advice. More detailed information should be obtained from the relevant legislation and publications.

We hope you find the course worthwhile and your first step towards successful GST preparation.

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CHAPTERS

Chapter 1

1. GST Basics

Getting Started

This guide explains what these businesses need to do to meet their GST obligations:

- businesses with an annual turnover of $75,000 or more ($150,000 or more for non-profit organisations)
- have a turnover of less than $75,000 more ($150,000 or more for non-profit organisations) but choose to register for GST.
- you provide taxi or limousine travel (including ride-sourcing) for passengers in exchange for a fare as part of your business, regardless of your GST turnover - this applies to both owner drivers and if you lease or rent a taxi
- you want to claim fuel tax credits for your business or enterprise.

GST SALES, PURCHASES AND CREDITS

In this guide we use the words **sale** and **purchase** to describe the GST terms 'supply' and 'acquisition'. For GST, a sale includes a sale of goods or services, lease of premises, hire of equipment, giving of advice, export of goods and the supply of other things. A purchase includes an acquisition of goods or services such as trading stock, a lease, consumables and other things (including importations).

We use the term **GST credit** to describe the GST term 'input tax credit'. A GST credit is what you claim to get back the GST included in the price you pay for most goods and services you purchase for your business.

CHECKLIST FOR BUSINESS

How does the GST system work?

Does your business:

- have an annual turnover of $75,000 or more ($150,000 or more if it is a non-profit organisation) or
- you provide taxi or limousine travel l (including ride-sourcing) for passengers in exchange for a fare as part of your business, regardless of your GST turnover - this applies to both owner drivers and if you lease or rent a taxi
- you want to claim fuel tax credits for your business or enterprise.

If so, you need to:

- register for GST
- work out whether your sales are taxable, GST-free or input taxed
- include GST in the price of your taxable sales
- separate your business and private purchases
- claim GST credits for your taxable business purchases
- account for GST on a cash or non-cash basis
- issue tax invoices for your sales
- obtain tax invoices for your purchases, and
- report and pay GST to the ATO

WHAT IS GST?

Goods and services tax (GST) is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia.

HOW DOES THE GST SYSTEM WORK?

Generally, registered businesses include GST in the price of sales to their customers and claim credits for the GST included in the price of their business purchases.

While GST is paid at each step in the supply chain, businesses don't actually bear the economic cost of the tax. This is because they include GST in the price of the goods and services they sell and can claim credits for most GST included in the price of goods and services they buy. The cost of GST is borne by the final consumer, who can't claim GST credits.

EXAMPLE: COLLECTING AND PAYING GST ON THE SALE OF GOODS

A timber merchant sells timber to a furniture manufacturer for $110 (including $10 GST). The manufacturer uses the timber to make a table, which he sells to a furniture retailer for $220 (including $20 GST). The retailer then sells the table to a consumer for $330 (including $30 GST).

Production/distribution stage	**Net GST to pay**		
A. Timber merchant sells timber for $110, including $10 GST	GST on sale	$10	

	Assume no GST credit	$0	
	Net GST to pay	$10	A. Timber merchant pays $10 GST to ATO

The timber merchant needs to make $100 on the sale of the timber. So he sells the timber for $110, keeps $100 and remits $10 GST to ATO.

B. Furniture manufacturer sells table for $220, including $20 GST	GST on sale	$20	
	less GST credit	$10	
	Net GST to pay	$10	B. Manufacturer pays $10 GST to ATO
The furniture manufacturer can claim a credit for the $10 GST included in the price paid to the timber merchant. The manufacturer offsets that $10 against the $20 collected on the sale of the table to the retailer, and pays $10 GST to ATO.			

C. Retailer sells table for $330, including $30 GST	GST on sale	$30	
	less GST credit	$20	
	Net GST to pay	$10	C. Retailer pays $10 GST to ATO
The furniture retailer can claim a credit for the $20 GST included in the price paid to the furniture manufacturer. The retailer offsets that $20 against the $30 GST collected on the sale of the table to the consumer, and pays $10 GST to ATO.			

D. Consumer pays $330 (including $30 GST) to the retailer	D. $30 total GST paid to ATO
The consumer who buys the table bears the $30 GST included in the price, as consumers can't register for GST and can't claim GST credits.	

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EXAMPLE: OFFSETTING GST CREDITS

You are registered for GST and charge three customers a total of $20,790 (including $1,890 GST) for services provided in the March quarter (January, February and March).

You are entitled to a GST credit of $500 for the same quarter for the GST included in the $5,500 you paid for business purchases (including paper, electricity, postage and phone services).

Rather than paying $1,890 GST to ATO, you offset the $500 GST credit (that is, the GST included in the prices you paid for your business expenses in the quarter) against the $1,890 GST to be paid on your sales for the quarter. You then pay a net amount of $1,390.

Sales	**Sale price**	**GST to be paid**
Printing services to ZPB Pty Ltd	$550 (including $50 GST)	A. $50
Printing services to PXF Pty Ltd	$19,800 (including $1,800 GST)	B. $1,800
C. Photocopying services to Mr. and Mrs. Smith	$440 (including $40 GST).	$40
	GST on sales	**$1,890**
Purchases	**Purchase price**	**GST credit**
Paper, electricity, postage, phone	$5,500 (including $500 GST)	$500
	Net GST	**$1,390**

A. and B. Both ZPB Pty Ltd and PXF Pty Ltd are registered for GST and can claim a credit of $50 and $1,800 respectively for the GST included in the price they pay for your services.

C. As consumers, Mr. and Mrs. Smith can't claim a GST credit for the GST included in the $440 they pay you.

Part 1 – Register for GST

DO YOU HAVE TO REGISTER?

You must register for GST if your business has an **annual turnover** of $75,000 or more ($150,000 or more for non-profit organisations).

REGISTERING FOR GST

If you operate more than one business under one entity, you register only once for GST. For example, the company ABC Pty Ltd operates two businesses: ABC Building and Hardware Supplies and ABC Plumbers. In this example, the company ABC Pty Ltd registers once for GST. This registration covers the company's two businesses

CALCULATING YOUR ANNUAL TURNOVER

Your annual turnover is your gross business income (not your profit), excluding any:

- GST included in sales to your customers
- **input taxed sales** you make, and
- sales not connected with Australia.

If you aren't registered for GST, each month you need to look at your annual turnover to make sure it's not $75,000 or more ($150,000 for non-profit organisations). Your annual turnover is $75,000 or more if:

- your turnover for the current month and the previous 11 months is $75,000 or more, or
- your turnover for the current month and the next 11 months is likely to be $75,000 or more.

If your turnover is $75,000 or more, you must register for GST within 21 days. However, if your turnover for the current and previous 11 months is $75,000 or more but we are satisfied that your turnover for the current and next 11 months will be below $75,000, you don't have to register for GST.

It's important to register for GST if you're required to do so. Otherwise, you may have to pay GST on the sales you've made since the date you became required to register – even if you didn't include GST in the price of those sales. Not only will you be out of pocket for the amount of GST, but you may have to pay penalties and interest.

HOW TO REGISTER

To register for GST you need to complete an application. You use the same application to register for an Australian business number (ABN). You will need an ABN to be part of the GST system. Your ABN will also be your GST registration number.

You can register:

- electronically through the business portal.
- phone **13 28 66** to obtain Application to register for the new tax system – Add a new business account (NAT 2954)
- through your tax agent.

After you register, the ATO will notify you in writing of your registration details, including the date of effect of your registration and your ABN. If you register electronically at www.business.gov.au, as long as you are able to provide all required information and proof of your identity, you will receive your ABN immediately.

WHAT DOES BEING REGISTERED FOR GST MEAN?

If you are registered or required to be registered for GST, you include GST in the price of most goods and services you sell (see the next section for details of when you don't have to include GST).

You must complete an activity statement every month or quarter or an annual GST return each year to:

- report and pay the GST on your sales, and
- claim credits for any GST included in the price of your business purchases (provided you have a tax invoice and you are entitled to claim a GST credit).

The reporting period you use is called a tax period.

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

GST GROUPS

Two or more related entities may apply to form a GST group, provided they satisfy certain membership requirements.

GST groups are effectively treated as a single entity. Generally, transactions between group members are ignored for GST purposes. As a result, GST is not payable and GST credits cannot be claimed on these transactions.

The entity, known as the 'representative member', manages the GST affairs of the group. The representative member is responsible for the GST payable and is entitled to claim the GST credits on transactions undertaken by group members.

The representative member is the only group member required to complete the GST component of an activity statement. In doing this, the representative member will effectively be accounting for the group's total GST liability.

Part 2 – Work Out What Type of Sales You Make.

This section describes the three types of sales that exist for GST purposes:

- taxable sales
- GST-free sales, and
- input taxed sales.

(Note: Some transactions are out of scope of the GST Act)

TAXABLE SALES

You must pay GST on taxable sales that you make. You are also entitled to claim GST credits for purchases used to make your taxable sales.

You make a taxable sale if you're registered or required to be registered for GST and:

- you make the sale for payment
- you make the sale in the course or furtherance of a business (enterprise) you carry on, and
- the sale is connected with Australia.

However, the sale is not a taxable sale if it is GST-free or input taxed.

Some sales may be partly taxable and partly GST-free or input taxed. This will be the case where a taxable sale can be separated into identifiable parts and one or more of those parts are GST-free or input taxed. These sales are also known as mixed supplies.

If you are registered or required to be registered for GST, sales of business assets such as office equipment and motor vehicles are usually taxable sales. GST also applies to business assets that are traded in or otherwise disposed of by transferring ownership.

For more information about GST and the disposal of business assets, see *GST and the disposal of capital assets*

(NAT 7682).

WHAT IS A SALE FOR PAYMENT (CONSIDERATION)?

For a sale to be taxable, it must be made for consideration. Consideration is anything you receive for providing goods, services or any other sale. It is usually money, but can be some other form of payment, such as goods or services provided instead of money, for example, as in barter transactions. Consideration may also be made by refraining from doing something.

EXAMPLE: NON-MONETARY PAYMENT

A plumber who is registered for GST is asked to install an electrician's new spa. The electrician is also registered for GST and wires the plumber's new shed as payment for installing the spa.

Although no money changes hands, GST is still to be paid on the value of the installation service the plumber provides. The electrician pays GST on the value of the electrical wiring service he provides to the plumber.

For more information about the GST to be paid where payment is in a form other than money, see Goods and Services Tax Ruling GSTR 2001/6 – Goods and services tax: non-monetary consideration.

WHAT IS A SALE IN THE COURSE OR FURTHERANCE OF YOUR BUSINESS?

This usually means that you provide the goods or services as part of conducting your business. It includes all sales of business assets, including items such as motor vehicles and office plant and equipment.

EXAMPLE: SALE IN THE COURSE OF YOUR BUSINESS

If your business provides electrical services and sells some electrical cable left over from a job for its copper content, the sale is part of your business activities. By contrast, if you decide to sell your private vehicle that is not used in the business, the sale will be private.

WHAT IS A SALE CONNECTED WITH AUSTRALIA?

A sale of goods is connected with Australia if the goods are:

- delivered or made available in Australia to the purchaser
- removed from Australia, or
- brought to Australia, provided the seller either imports the goods into Australia or installs or assembles the goods in Australia.

A sale of real property is connected with Australia if the property is in Australia. For GST purposes, real property includes land, land and buildings, interest in land, rights over land and licence to occupy land.

A sale of something other than goods or real property is connected with Australia if:

- the thing is done in Australia
- the seller makes the sale through a business they carry on in Australia, or
- the sale is of a right to acquire something that would be connected with Australia.

For more information about sales connected with Australia, see Goods and Services Tax Ruling GSTR 2000/31 – Goods and services tax: supplies connected with Australia.

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GST-FREE SALES

You don't include GST in the price of things you sell that are GST-free, but you can still claim credits for the GST included in the price of your taxable purchases relating to these GST-free sales.

Things that are GST-free include:

- most basic food
- certain education courses, course materials and related excursions or field trips
- certain medical, health and care services
- some medical aids and appliances
- certain medicines
- certain exports
- services provided by travel agents in arranging overseas travel and overseas supplies such as accommodation and sight-seeing tours
- some childcare
- some religious services and charitable activities
- the supply of accommodation and meals of residents of retirement villages by certain operators
- cars for use by disabled people, provided certain requirements are met
- water, sewerage and drainage
- supplies of going concern
- international transport and related matters
- precious metals
- supplies through inward duty free shops
- grant of land by government
- farmland, and
- international mail.

EXAMPLE: GST-FREE SALES

A farmer grows potatoes and sells them at the produce markets. The potatoes are GST-free as basic food and the farmer doesn't include GST in their price. The farmer can claim GST credits for the GST included in the price of purchases relating to potato growing, for example, fertiliser, fuel and freight.

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More information about what sales are GST-free see:

Food

- The *GST food guide* (NAT 3338), which contains an alphabetical list of the main food and drink products, showing whether they are taxable or GST-free
- Goods and Services Tax Determination – GSTD 2002/2: what supplies of fruit and vegetable juices are GSTfree

Health

- GST and medical services (NAT 4649)
- GST and other health services (NAT 4650)
- GST and medical aids and appliances (NAT 4651)
- Are acupuncture, naturopathy and herbal medicine services GST-free? (NAT 8090)
- Application for medical assessment to obtain a car or car parts GST-free (NAT 3417)

Education

- GST for pre-schools (NAT 12579)
- Goods and Services Tax Ruling GSTR 2000/27 – Goods and services tax: adult and community education courses; meaning of 'likely to add to employment related skills'
- Goods and Services Tax Ruling GSTR 2000/30 – Goods and services tax: supplies that are GST-free for pre-school, primary and secondary education courses
- Goods and Services Tax Ruling GSTR 2001/1 – Goods and services tax: supplies that are GST-free for tertiary education courses
- Goods and Services Tax Ruling GSTR 2002/1 – Goods and services tax: supplies that are GST-free as special education courses
- Goods and Services Tax Ruling GSTR 2003/1 – Goods and services tax: supplies that are GST-free as professional or trade courses
- Goods and Services Tax Determination GSTD 2000/11 – Goods and services tax: is the supply of commercial pilot training GST-free as an education course under section 38–85 of the A New Tax System (Goods and Services Tax) Act 1999 (the GST Act)?
- Goods and Services Tax Determination GSTD 2000/7 – Goods and services tax: is the supply of the services of apprentices or trainees by a Group Training Company to host employers under a Group Training Scheme a taxable supply in terms of section 9–5 of the A New Tax System (Goods and Services Tax) Act 1999 (the GST Act)?

Non-commercial activities of charities

- GST and fundraising dinners or similar functions (NAT 7327)
- the endorsement process to access charity tax concessions (NAT 3192
- Non-profit organisations and fundraising (NAT 13095)
- Is your organisation non-profit? Tax basics for non-profit organisations (NAT 7966)
- Volunteers and tax (NAT 4612)

Is the sale of a business GST-free?

THE SALE OF A BUSINESS AS A GOING CONCERN IS GST-FREE IF:

- everything for the continued operation of the business is supplied to the buyer
- the seller carries on the business until the day it is sold
- the buyer is registered or required to be registered for GST
- the sale is for consideration, and
- before the sale, the buyer and seller agree in writing that the sale is of a going concern.

EXAMPLE: SELLING A BUSINESS

You are registered for GST and you sell your florist business. The sale includes the shop, delivery vehicle, stock, equipment and all the other things necessary to continue operating the business. You continue to operate the business until the buyer takes over, the buyer is registered for GST, and you have agreed in writing that the sale is of a going concern. This is a GST-free sale.

For more information about the sale of a going concern, refer to:

- Goods and Services Tax Ruling GSTR 2002/5 – Goods and services tax: when is a ‘supply of a going concern’ GST-free?
- Sale of a business as a going concern – checklist (NAT 10147).

INPUT TAXED SALES

You don’t include GST in the price of input taxed sales you make and you can’t claim GST credits for purchases that you use to make input taxed sales.

The two most common input taxed sales for small businesses are:

- financial supplies, and
- certain supplies of residential premises by way of rent or sale.

In special cases, you may be entitled to claim a GST credit for a purchase that you use to make a financial supply.

FINANCIAL SUPPLIES

You will generally be making a financial supply when you:

- lend or borrow money

- grant credit to a customer
- buy or sell shares or other securities
- create, transfer, assign or receive an interest in, or a right under, a superannuation fund, or
- provide or receive credit under a hire purchase agreement if the credit is provided for a separate charge that is disclosed to the purchaser.

You may be entitled to claim a GST credit for a purchase that relates to making a financial supply if:

- you do not exceed the financial acquisition threshold
- your purchase relates to a borrowing (and the borrowing, in turn, relates to making sales that are not input taxed), or
- your purchase qualifies as a reduced credit acquisition. In this case you will be entitled to a reduced GST credit.

EXAMPLE

Bill's Department Store sells a fridge to Louise for $1,100 (including $100 GST). Bill's Department Store sells the fridge to Louise on credit, and charges interest on the credit.

As the provision of credit is a financial supply, Bill's Department Store does not include GST on the amount of interest it charges to Louise.

In total, Louise pays Bill's Department Store $1,165, consisting of the purchase price of $1,100 and interest of $65.

Bill's Department Store is only required to pay $100 to us, as this was the amount of GST included in the price of the goods.

Bill's Department Store cannot claim GST credits for any purchases that relate to providing the credit, unless:

- Bill's Department Store does not exceed the financial acquisitions threshold, or
- the purchases related to providing the credit are reduced credit acquisitions.

For more information about the financial acquisitions threshold and reduced credit acquisitions, see:

- Financial services – questions and answers

- Goods and Services Tax Ruling GSTR 2006/3 – Determining the extent of creditable purpose for providers of financial supplies
- Goods and Services Tax Ruling GSTR 2002/2 – GST treatment of goods, services and other products supplied or acquired by financial supply providers (an addendum exists for this ruling)
- Goods and Services Tax Ruling Goods GSTR 2003/9 – Financial acquisition threshold
- Goods and Services Tax Ruling GSTR 2004/1 – Reduced credit acquisitions

RESIDENTIAL PREMISES

If you rent out a residential property, other than commercial residential property, for use as residential accommodation, you don't include GST in the price of the rent. You also can't claim credits for the GST included in any costs relating to the rental, such as agent commission or repairs and maintenance on the property.

In contrast, the supply of commercial property is taxable. If you are registered or required to be registered for GST and rent out a factory or shop, you must include GST in the rent you charge.

If you carry on your business from rented commercial premises, GST will be included in the rent you pay and you can generally claim a credit for the GST included in that rent as it is a business expense.

For more information about GST and rental properties, see:

- GST and the margin scheme – real property acquired before 1 July 2000 (NAT 8680)
- GST and the margin scheme – real property acquired on or after 1 July 2000 (NAT 8682)
- Changes to the margin scheme (NAT 14722)
- Goods and Services Tax Ruling GSTR 2000/20 – Commercial residential premises (an addendum and erratum exist for this ruling)
- Goods and Services Tax Ruling GSTR 2003/3 – When is a sale of real property a sale of new residential premises (an erratum exists for this ruling)
- Goods and Services Tax Ruling GSTR 2000/21 – The margin scheme for supplies of real property held prior to 1 July 2000 (an erratum and addendum exist for this ruling)
- Goods and Services Tax Ruling GSTR 2006/7 – How the margin scheme applies to a supply of real property made on or after 1 December 2005 that was acquired or held before 1 July 2000
- Goods and Services Tax Ruling GSTR 2006/8 – The margin scheme for supplies of real property acquired on or after 1 July 2000
- Margin scheme determination MSV 2000/1Margin scheme determination MSV 2000/2
- Margin scheme determination MSV 2005/1
- Margin scheme determination MSV 2005/2
- Margin scheme determination MSV 2005/3

- Part 3 - Include GST in the price of your taxable sales

DO YOU INCLUDE GST IN THE PRICE OF EVERYTHING YOU SELL?

If you're registered or required to be registered for GST, you include GST in the price of your taxable sales.

You do not include GST in the price of any input taxed or GST-free sales you make.

PARTLY TAXABLE SALES (OR MIXED SUPPLIES)

If your sale is partly taxable, you should not include GST for any part of the sale that is GST-free or input taxed.

EXAMPLE

ABC Pty Ltd leases a two storey building to Ron, a sole trader.

The ground floor of the building is a shop and therefore commercial in nature. Ron carries on his enterprise from the shop.

The first floor of the building is a flat and therefore residential in nature. Ron lives in the flat on the first floor.

The leasing of the building to Ron is partly taxable as it can be broken into separately identifiable parts:

- the lease of the ground floor, which is taxable as it is commercial in nature, and
- the lease of the first floor, which is input taxed as it is residential in nature.

ABC Pty Ltd wishes to receive a total of $10,000 each month ($5,000 for each storey) as lease payments. As GST is only payable on the taxable component of $5,000, ABC Pty Ltd charges Ron a GST-inclusive price of $10,500 each month.

Part 4 – Issue Tax Invoices

This section describes:

- issuing tax invoices for your taxable sales, and
- the requirements of a tax invoice.

ISSUING TAX INVOICES FOR YOUR TAXABLE SALES

If you make taxable sales, your GST-registered customers and clients will need tax invoices from you to claim their GST credits for purchases of more than $82.50 (including GST). If a customer or client asks you for a tax invoice, you must provide one within 28 days after the day they ask you for the tax invoice.

WHAT ARE THE REQUIREMENTS OF A TAX INVOICE?

Tax invoices you issue or receive must include certain information. The information required differs depending on the price of the sale. Tax invoices for sales of $1,000 or more require more information than tax invoices for sales of less than $1,000.

Tax invoices for sales of **less than $1,000** Tax invoices for taxable sales that total less than $1,000 must include:

1. the words ‘tax invoice’ stated prominently
2. the name of the seller
3. the Australian business number (ABN) of the seller
4. the date of issue of the tax invoice
5. a brief description of the things sold
6. the GST-inclusive price of the taxable sale, and
7. the GST amount. This can be shown separately or, where the GST to be paid is exactly one-eleventh of the total price, as a statement such as ‘Total price includes GST’.

TAX INVOICES FOR SALES OF $1,000 OR MORE

Tax invoices for taxable sales that total $1,000 or more must include:

1. the words ‘tax invoice’ stated prominently
2. the name of the seller
3. the ABN of the seller
4. the date of issue of the tax invoice
5. the buyer's identity or ABN a brief description of the things sold
6. for each description, the quantity of the goods or the extent of services sold
7. the GST-inclusive price of the taxable sale, and

a when GST to be paid is exactly one-eleventh of the total price, a statement such as ‘The total price includes GST’, or b the GST amount.

For more information about tax invoices, see:

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- Goods and Services Tax Ruling GSTR 2000/17 – Goods and services tax: tax invoices
- Goods and Services Tax Ruling GSTR 2000/34 – what is an invoice for the purposes of the A New Tax System (Goods and Servi*ces Tax) Act 1999* (GST Act)

There are some special rules that apply to tax invoices for transactions carried out through agents. For more information see Goods and Services Tax Ruling GSTR 2000/37 – Goods and services tax: agency relationships and the application of the law

Tax invoices for taxable and non-taxable sales (mixed supplies)

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

- each taxable sale
- the amount of GST to be paid (for the taxable sales), and
- the amount to be paid for the total sale.

For more information about tax invoices and mixed suppliers see Goods and Services Tax Ruling GSTR 2001/8 – Apportioning the consideration for a supply that includes taxable and non-taxable parts (an addendum exists for this ruling)

Voluntary standards for tax invoices

Voluntary standards for tax invoices have been developed in consultation with small business. These standards were developed to address concerns raised in relation to the lack of consistency in invoice formats.

For more information about voluntary standards for tax invoices, see:

- How to set out tax invoices and invoices (NAT 11675)
- Valid tax invoices and GST credits (NAT 12358)
- Request for review of tax invoice decision (NAT 12381)

Electronic Invoices

A document in electronic form that meets the above requirements will be in the approved form for a tax invoice.

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Stay N Play Sports

28 September Ave
Maddington WA 6109

Tax Invoice

Invoice #: 00000013

A.B.N.: 52 021 922 320

Bill To:

Megg Durston
9 Collie Court
Maddington WA 6109

Ship To:

Megg Durston
9 Collie Court
Maddington WA 6109

SALESPERSON	YOUR NO.	SHIP VIA	COL	PPD	SHIP DATE	TERMS	DATE	PG.
						Net 14	6/01/2009	1

QTY.	ITEM NO.	DESCRIPTION	PRICE	UNIT	DISC %	EXTENDED	CODE
1	CB	Cricket Bat	$291.50	Each		$291.50	GST
1	LS	Lacrosse Stick	$330.00	Each		$330.00	GST

COMMENT	CODE	RATE	GST	SALE AMOUNT			
	GST	10%	$56.50	$565.00	SALE AMOUNT	$621.50	
					FREIGHT	$0.00	GST
					GST	$56.50	
					TOTAL	$621.50	
					PAID TODAY	$0.00	
Customer ABN:					BALANCE DUE	$621.50	

Part 5 – Obtain Tax Invoices for your purchases

To claim a GST credit you must have a tax invoice for purchases that cost more than $82.50 (including GST). To claim a GST credit for purchases that cost $82.50 or less (including GST), you should have cash register dockets, receipts or invoices.

If you don't have a tax invoice, you should wait until you receive one from your supplier before you claim the GST credit, even if this is in a later reporting period.

In most cases, suppliers issue tax invoices. However, in special cases recipients of a sale may issue tax invoices. These are known as recipient created tax invoices.

For more information about recipient created tax invoices, see:

- *Grants and GST: R*ecipient created tax invoices (NAT 7038)
- Recipient created tax invoices (scrap metal industry) (NAT 10212)
- Goods and Services Tax Ruling GSTR 2000/10 – Goods and services tax: recipient created tax invoices. (Note that an addendum and erratum exist for this ruling.)

What if I receive a document that is not a valid tax invoice?

If your supplier gives you a document that doesn't meet the requirements of a tax invoice, you shouldn't assume it is for a taxable sale. You should contact the seller to confirm that it is a taxable sale and obtain a correct tax invoice.

If you are unable to obtain a valid tax invoice, contact the ATO for further advice on 13 28 66

Part 6 - Claim GST Credits

WHEN CAN YOU CLAIM GST CREDITS

You are entitled to claim GST credits for the GST included in a purchase you make if you are registered for GST and:

- You intend to use your purchase solely or partly in carrying on your business
- The price includes GST
- You provide, or are liable to provide payment (consideration) for the item purchased, and
- You have a tax invoice from your supplier.
- You are not entitled to claim a GST credit for a portion of your purchase that you intend to use:
    - To make input taxed sales, or
    - For private purposes, unless you have made an annual private apportionment election.

PURCHASES THAT RELATE TO MAKING INPUT TAXED SALES

You are not entitled to claim a GST credit for any portion of a purchase you use to make input taxed sales.

There are some exceptions to this rule.

EXAMPLE

Linda is registered for GST. She purchases an item for $11,000 (including $1,000 GST). Linda holds a valid tax invoice for the purchase.

Linda intends to use the item purchased partly to make taxable sales (40%) and partly to make input taxed sales (60%).

Linda is only entitled to claim a GST credit for the portion of the item she uses to make taxable sales, that is $400 (40% × $1,000).

Business and private use

If you purchase goods or services that you use for both business and private use, you can claim a GST credit only for the proportion of the purchase relating to your intended business use.

If the actual use of what you purchased is different from your planned use, you may need to adjust the amount of GST credits you have claimed.

Special rules apply if you have made an annual private apportionment election.

Example: separating business and private use

You buy a computer for $3,300 (including $300 GST). You plan to use the computer 60% of the time for business and 40% for private purposes. You must divide the GST credit between your business and private use. This means you can claim $180 (60% of the $300 GST) as a GST credit.

If you later find that your actual use of the computer differs from your planned use, you may have to make an adjustment.

Annual private apportionment

You may be eligible to make an annual apportionment election if:

- you are a small business with an annual turnover (including the turnover of your related entities) of less than $2 million, or
- you are not operating a business but are carrying on an enterprise (for example, a charity) and your GST turnover is $2 million or less.

This election enables you to account for the private portion of your business purchases annually rather than each time you lodge an activity statement.

Generally, you will be able to claim the full GST credit for a business purchase, regardless of the private use portion. However, if your business purchase relates to making input taxed supplies, the amount of your GST credit is reduced accordingly.

You will be required to make an adjustment in a later activity statement to account for the private portion of the purchase. The adjustment can be made in any activity statement up to the one that covers the due date for lodging your income tax return.

This will allow you to apportion for private use for both GST and income tax purposes at the same time.

For more information about annual private apportionment see *GST and annual private apportionment* (NAT 12877)

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WHEN CAN'T YOU CLAIM GST CREDITS ?

There are some purchases you can't claim a GST credit for, even though GST is included in the price. These include:

- purchases of land under the margin scheme, and
- certain purchases you can't claim as an income tax deduction, for example entertainment expenses.

MOTOR VEHICLES

In most cases you can claim a GST credit for the purchase of a car that is used for your business. However, if you purchase a car and the price exceeds the car limit, generally the maximum amount of GST credit you can claim is one-eleventh of that limit.

For more information about claiming GST credits, see:

- GST credits for business (NAT 3019)
- GST and motor vehicles (NAT 4629)
- Hire purchase, leasing and GST (NAT 3491)
- Cars and the GST – purchases by eligible people with disabilities (NAT 4325)
- Luxury car tax (NAT 3394)
- GST and the sale of reconditioned parts (NAT 13259)
- GST and motor trade-ins for charities (NAT 12353)
- GST CREDITS AND INCOME TAX DEDUCTIONS

Where you can claim an income tax deduction for your business purchases, you claim the net amount of the purchases if you are entitled to claim GST credits on the purchases. That is, the cost less GST credit claimed. However, if you are not entitled to claim the GST credit on the purchase you can claim the full cost of the purchase, including GST, as a deduction.

EXAMPLE: GST CREDITS AND INCOME TAX DEDUCTIONS

Alice, a GST-registered computer repairer, buys some stationery for her business. She pays $22 (including $2 GST). Alice is entitled to claim a GST credit of $2 on her activity statement, and $20 as an income tax deduction on her income tax return.

If Alice was not registered or required to be registered for GST, she would not be entitled to claim a credit for the $2 G ST, but she could claim the full $22 as an income tax deduction on her income tax return.

For capital items, such as some machinery, you may be entitled to an income tax deduction for decline in value (depreciation) of the item. When calculating decline in value you must use the cost of the item, less any GST credits you've claimed.

EXAMPLE: CALCULATING DECLINE IN VALUE

You are registered for GST and buy a new photocopier for your business. The seller is registered for GST, and charges you $1,155 (including $105 GST). If you have a tax invoice for the purchase, you can claim a GST credit of $105 on your activity statement. You work out the decline in value using a cost of $1,050 (that is, $1,155 – $105 GST).

SPECIAL RULES FOR CLAIMING GST CREDITS

Pre-establishment costs

A special GST rule allows a company to claim GST credits for certain taxable purchases made before the company comes into existence. It covers costs such as set-up fees, business registration and trading stock, and other things such as business premises.

For this rule to apply:

- the purchase must be for the purpose of bringing the company into existence or for the purpose of a company carrying on a business after it comes into existence (the purchase can't be GST-free, for making input taxed sales or for private use)
- the purchase can be used only for the company that is not yet in existence
- the company must come into existence and be registered within six months after the purchase
- the purchaser must become a member, officer or employee of the company
- the company must fully reimburse the purchaser for the cost of the purchase
- the purchaser mustn't be the company, and
- the purchaser mustn't be able to claim a GST credit for the purchase.

Second-hand goods

Under a special GST rule, you can generally claim a GST credit for any second-hand goods you buy from an unregistered entity for the purposes of sale or exchange (even though GST is not included in the price of the goods).

Other special rules for claiming GST credits

There are other special rules about claiming GST credits.

They relate to:

- periodic or progressive supplies, such as lease payments or service contracts
- purchases made with corporate credit cards
- purchases of land under standard land contracts
- supplies of gas and electricity by public utility providers, and
- lay-by purchases.

For more information about these special rules, see:

- GSTR 2000/35 – Goods and services tax: Division 156 – supplies and acquisitions made on a progressive orperiodic basis
- GSTR 2000/26 – Goods and services tax: corporate card statements – entitlement to an input tax credit without a tax invoice
- GSTR 2000/28 – Goods and services tax: attributing GST payable or an input tax credit arising from a sale of land under a standard land contract
- GSTR 2000/12 – Goods and services tax: attributing GST payable and input tax credits for supplies and acquisitions under lay-by sale agreements
- GSTR 2000/32 – Goods and services tax: attributing GST payable on supplies of gas and electricity made by public utility providers

Part 7 – Work out if you have any Adjustments

WHAT ARE ADJUSTMENTS

From time to time, you may need to make changes that increase or decrease your net GST liability for a reporting period. These changes are known as adjustments.

There are two types of adjustments:

- increasing adjustments, which increase your net GST liability, and
- decreasing adjustments, which decrease your net GST liability.

WHEN DO YOU MAKE AN ADJUSTMENT?

You may need to make an adjustment if:

an event occurs which has the effect of changing the price of a sale or purchase (for example you provide a rebate to a customer)

a taxable sale you make, or a purchase for which you are entitled to a GST credit, is cancelled

you write off or recover a bad debt, or

your actual use of a purchase for private purposes or to make input taxed sales differs from your intended use (this only applies if the GST-exclusive value of the purchase is more than $1,000).

There are other circumstances in which you may need to make an adjustment.

ADJUSTMENT NOTES FOR INCREASES IN PRICE

If you make a taxable sale and an adjustment arises because the price of that sale subsequently increases, you must issue an adjustment note to the purchaser if the price of the sale is more than $75 ex GST.

The adjustment note must be issued within 28 days after:

- you receive a request from the purchaser to provide the adjustment note, or
- the time you became aware of the adjustment, if you had previously issued a tax invoice for the sale and you became aware of the adjustment prior to receiving a request from the purchaser.

You must have an adjustment note before you can make an adjustment for an increase in the price of a purchase you make.

For more information on adjustment notes see:

- Goods and services tax ruling GSTR 2000/1 – Goods and services tax: adjustment notes
- Goods and Services Tax Ruling GSTR 2000/19 – Making adjustments under Division 19 for adjustment events (an addendum exists for this ruling)

Part 8 - Account for GST

This section describes:

- accounting for GST on a cash basis
- accounting for GST on a non-cash basis
- record keeping requirements, and
- the simplified accounting methods available to food retailers.

ACCOUNTING FOR GST ON A CASH BASIS

Sales

If you account for GST on a cash basis, you account for the GST payable on the sales you make in the same reporting period you receive payment for them. If you receive only part payment for a sale in a reporting period, you only account for the GST that relates to that part of the sale in the reporting period.

Purchases

You claim GST credits for your business purchases in the reporting period you pay for them, provided you have a tax invoice. If you pay only part of the cost of a business purchase in a reporting period and have a tax invoice, you claim only the GST credit for that part of the cost in the reporting period.

You can account on a cash basis if:

- you are a small business with an annual turnover (including the turnover of your related entities) of less than $10 million
- you are not operating a business, but are carrying on an enterprise with a GST turnover of $10 million or less
- you account for income tax on a cash basis
- you carry on a kind of enterprise the Commissioner has determined is able to account for GST on a cash basis regardless of your GST turnover, or
- you are an endorsed charitable institution, trustee of an endorsed charitable fund, gift-deductible entity or government school, regardless of your GST turnover.

More Information

- Reporting your GST using the accounts method (NAT 3613)
- for more information on accessing GST and other small business concessions, and calculating your annual turnover (including the turnover of your related entities) see Small business concessions at www.ato.gov.au/SBconcessions

Example: Accounting for GST on a cash basis

A GST-registered book wholesale outlet sells books to a bookshop and issues a tax invoice on 17 December 2016. The bookshop pays the invoice on 14 January 2017.

When to account for GST on a cash basis

If the wholesale outlet reports GST monthly, it would account for the GST in the month it's collected, that is, on its January activity statement (due 21 February 2017).

If the wholesale outlet reports GST quarterly, it would account for the GST in the quarter it's collected, that is, on its March quarter activity statement (due 28 April 2017).

When to claim GST credits on a cash basis

If the bookshop reports GST monthly, it would claim the GST paid as a GST credit for the month it purchased the books, that is, on its January activity statement (due 21 February 2017).

If the bookshop reports GST quarterly, it would claim the GST paid as a GST credit for the quarter it purchased the books, that is, on its March quarter activity statement (due 28 April 2017).

ACCOUNTING FOR GST ON A NON-CASH BASIS

Sales

If you account for GST on a non-cash basis, you account for the full amount of GST payable on a sale you make in the reporting period you issue an invoice or the reporting period you receive any part of the payment, whichever occurs first.

Purchases

You claim a GST credit for a business purchase in the reporting period your supplier issues an invoice or you make any part of the payment for the purchases, whichever occurs first. However, you must hold a tax invoice for a purchase in order to claim a GST credit for the purchase.

Example: accounting for GST on a non-cash basis

Mr. A Frame, a GST-registered builder, builds some shelves for Ms B Newsworthy, a newsagent, and issues a tax invoice for the work on 15 January 2017. The newsagent pays the invoice on 14 February 2017.

When to account for GST on a non-cash basis

If the builder reports GST monthly, he would account for the GST in the month he either issued the invoice or received the payment, whichever occurs first. In this example, this would be on his January 2017 activity statement (due 21 February 2017).

If the builder reports GST quarterly, he would account for the GST in the quarter he either issued the invoice or received the payment, whichever occurs first. In this example, this would be on his March 2017 quarter activity statement (due 28 April 2017).

When to claim GST credits on a non-cash basis

If the newsagent reports GST monthly, she would claim a GST credit for the month she either received the invoice or paid for the shelves, whichever occurred first. In this example, this would be on her January 2017 activity statement (due 21 February 2009).

If the newsagent reports GST quarterly, she would claim a GST credit for the quarter she either received the invoice or paid for the shelves, whichever occurs first. In this example, this would be on her March quarter activity statement (due 28 April 2017).

When deciding whether to account on a cash or a non-cash basis, think carefully about your purchasing and sales patterns, as well as the way you manage your debtors and creditors.

You don't have to use the same method for GST accounting and financial accounting, but you may find that using a single accounting method (and therefore, a single set of accounting records) reduces your compliance costs.

SIMPLIFIED ACCOUNTING METHODS FOR FOOD RETAILERS

Some small food retailers, such as bakeries, milk bars and convenience stores, make both GST-free and taxable sales.

If these businesses don't have adequate point of sale equipment, they may find it difficult to separately account for different types of sales. There are simplified accounting methods they may use to make this easier.

For more information about simplified accounting methods see:

- Simplified GST accounting methods for food retailers (NAT 3185)
- Simplified GST accounting for the food and grocery industry (NAT 7162)
- Business norms percentages No 1 – hot bread shops (NAT 3186)
- Business norms percentages No 2 – convenience stores that convert food (NAT 3187)
- Business norms percentages No 3 – convenience stores that do not convert food (NAT 3188)
- Business norms percentages No 4 – fresh fish retailers (NAT 3267)
- Business norms percentages No 5 – rural convenience stores (NAT 3268)
- Business norms percentages No 6 – pharmacies (NAT 3269)
- Business norms percentages No 7 – cake shops (NAT 3270)
- Business norms percentages No 8 – health food shops (NAT 3271)
- Business norms percentages No 9 – continental delicatessens (NAT 3272)

Part 9 - Report and pay GST to the ATO

HOW TO REPORT GST AMOUNTS AND CLAIM CREDITS

You report GST amounts to the ATO and claim GST credits by lodging an activity statement or an annual GST return.

The ATO issue your business activity statement about two weeks before the end of your reporting period, which for GST is usually every three months. The date for lodging and paying is shown on your activity statement.

Even if you have no GST amounts to report or claim for a particular reporting period, you must still report this along with any other tax obligations.

You may be eligible to choose to pay a quarterly instalment amount that the ATO work out for you after you have lodged two or more quarterly activity statements.

If your GST turnover is less than $20 million and the ATO haven't told you to report GST monthly, you can report and pay GST quarterly.

If you report and pay quarterly, you use one of three reporting methods:

- Full reporting method
- Simpler BAS reporting method
- GST instalments method (pay GST instalment quarterly and report annually)

FULL REPORTING METHOD

If your GST turnover is $10 million or more, you use the full reporting method.

Under this reporting method you calculate, report and pay your GST amounts quarterly. You provide more detailed information on your business activity statement (BAS) using the full reporting method.

You can use either the accounts method or the calculation worksheet method to work out your GST amounts for your BAS.

WHAT YOU NEED TO REPORT

You must report amounts at the following labels on your BAS:

- G1 Total sales
- G2 Export sales
- G3 Other GST-free sales
- G10 Capital purchases
- G11 Non-capital purchases
- 1A GST on sales
- 1B GST on purchases

If you have a wine equalisation tax (WET) or luxury car tax (LCT) liability or entitlement, you must also report these amounts each quarter (labels 1C, 1D, 1E and 1F). These labels are shown on your BAS if you have these obligations.

Simpler BAS reporting method

If your GST turnover is less than $10 million, you use the Simpler BAS reporting method unless you are on GST instalments.

Under this reporting method, you report less information on your quarterly BAS, but still calculate and pay your GST amounts quarterly.

What you need to report

You must report amounts at the following labels on your BAS:

- G1 Total sales
- 1A GST on sales
- 1B GST on purchases

If you have WET or LCT obligations, you must also report these amounts each quarter (labels 1C, 1D, 1E or 1F). These labels are shown on your BAS if you have these obligations.

You do not need to report amounts at the following labels:

- G2 Export sales
- G3 Other GST-free sales
- G10 Capital purchases
- G11 Non-capital purchases

GST instalments method (pay GST instalment quarterly and report annually)

You may elect this reporting method if you meet the eligibility requirements, including where you:

- carry on a business with an aggregated turnover of less than $10 million, or
- do not carry on a business (eg not-for-profit organisation) and your GST turnover is $2 million or less.

If you elect this reporting method, you pay a quarterly GST instalment that the ATO work out (you can vary it), and report your actual GST information annually on an annual GST return.

If you wish to use the GST Instalments method you need to contact the ATO.

What you need to report

You must report amounts at the following labels on your annual GST return:

- G1 Total sales
- 1A GST on sales
- 1B GST on purchases
- 1H GST instalment amounts reported in your quarterly instalment notices for the period shown on the annual GST return

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You do not report amounts at these labels:

- G2 Export sales
- G3 Other GST-free sales
- G10 Capital purchases
- G11 Non-capital purchases

If you have WET or LCT obligations, you must also report these amounts on your annual GST return (labels 1C, 1D, 1E or 1F). These labels are shown on your annual GST return if you have these obligations.

You use your annual GST return to account for any difference between your actual GST liability and the total of your GST instalments for the year (or the period shown on your annual GST return). You show the total amount of GST instalments that were payable for the year (or the period shown on your annual GST return) at label 1H of your annual GST return.

If the total instalments are more than your actual GST liability for the year, you claim a refund. If your total instalments are less than your actual GST liability, you must pay the difference to us by the time your annual GST return is due.

Under the GST instalments method, any refund you may be entitled to is paid after you lodge your annual GST return for the year.

- GST instalments
- Business activity statements (BAS)

Lodgement and payment dates

The following table provides a summary of the payment and lodgement dates for businesses that report or pay GST quarterly.

Table 1: For businesses that report or pay GST quarterly	
Quarter	Payment and lodgement date
September quarter	28 October
December quarter	28 February
March quarter	28 April
June quarter	28 July

If you have chosen to pay by GST instalments, your instalments are also due on the dates shown above.

If you are a primary producer or a special professional who pays only two GST instalments for the year, your instalments are due on 28 April and 28 July.

If the due date falls on a weekend or a public holiday, you have until the next business day to report and pay.

If you pay GST instalments, your annual GST return will be due on the same date your income tax return is due. If you are not required to lodge an income tax return, your annual GST return will be due by 28 February following the financial year the return covers.

Changing reporting methods

Your GST turnover directly determines whether you use the Simpler BAS or full reporting method. If your GST turnover increases above or falls below $10 million, your reporting method changes.

To elect to use the GST instalment method, there are additional eligibility requirements.

If you want to switch from or to GST instalments, you need to contact the ATO.

If you contact the ATO by 28 October, your election or revocation will generally take effect from 1 July of that financial year (or by the concessional due date, if you lodge your September quarter activity statement through a registered agent).

If you contact after 28 October, your election or revocation will generally take effect from 1 July of the next financial year.

You may request in writing that your election take effect from the start of an earlier tax period.

HOW TO PAY GST AMOUNTS

You can pay GST amounts, along with other amounts to be paid to us:

- electronically, via direct credit, BPAY® or direct debit
- by credit card (fees apply)
- by mailing a cheque or money order , or
- by taking your original pre-printed payment advice to any post office and paying by
- cheque or
- EFTPOS (from a savings or cheque account only, not a credit card account), or by cash (up to $3,000).

You pay only the net amount of GST, that is, your GST to be paid less GST credits.

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Chapter 2

2. BAS – GST Section

From 1 July 2017 you no longer elect your GST reporting method, including GST instalments, on your BAS. Your GST turnover determines your GST reporting method.

- If your GST turnover is $10 million or more, you report GST using the Full reporting method.
- If your GST turnover is less than $10 million, you report GST using the Simpler BAS reporting method.
- If your GST turnover is less than $10 million and you currently use the GST instalment method, you generally continue to use it – if the instalment method is available to you, a GST instalment amount will show on your BAS.

The GST turnover figure the ATO use to determine your GST reporting method is obtained from your ATO records. It was previously advised by you (at GST registration or subsequently).

Your GST reporting method will generally be rolled over at the end of each financial year based on your GST turnover.

If you report and pay quarterly, you use one of three reporting methods:

- Full reporting method
- Simpler BAS reporting method
- GST instalments method (pay GST instalment quarterly and report annually)

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Full reporting method

If your GST turnover is $10 million or more, you use the full reporting method.

Under this reporting method you calculate, report and pay your GST amounts quarterly. You provide more detailed information on your business activity statement (BAS) using the full reporting method.

You can use either the accounts method or the calculation worksheet method to work out your GST amounts for your BAS. If you are using commercially available software packages you would collect this information from the tax codes that you have used in your software.

Completing the BAS - Step 1: Sales

Step 1 includes information about:

- G1 total sales
- G2 export sales
- G3 GST-free sales.

G1 Total Sales

If you are using the calculation worksheet method, you report at G1 total sales, all:

- GST-free sales you make
- input taxed sales you make
- taxable sales you make (including the GST).

If you are using the accounts method, you report at G1 total sales all:

- GST-free sales you make
- input-taxed sales you make
- taxable sales you make.

Include the GST on the taxable sales only if you have chosen to report amounts that include GST. If you have chosen to report GST-exclusive amounts, you do not report the GST component on your taxable sales at G1.

You can choose to exclude GST from G1 only if you are using the accounts method. You must include GST in amounts you report at all labels on your activity statement if you are using the calculation worksheet method.

The amount you report can vary depending on which accounting basis you use to complete your activity statement.Before completing G1:

- check if you need to obtain any of the additional instructions that apply to your sales
- write ‘0’ at G1 if you have no sales in the reporting period.

WHAT YOU DO AND DO NOT REPORT AT G1

Report at G1:

Total amounts for sales including:

- goods or services you sell or supply
- sales of trading stock
- the sale of business assets such as office equipment or motor vehicles (including trade-ins)
- the sale, lease or rental of land and buildings
- memberships you have provided
- earnings from financial supplies you make (for example, interest from bank accounts or lending money, but not including the loan principal)
- goods and services provided in return for government grants and some private sector grants
- cancelled lay-by sales
- forfeited customer security deposits
- employee contributions for fringe benefits you have provided
- the sale of a debtor property that was made to satisfy the debt owed to you (if the debtor otherwise would have had to pay GST on the sale)
- creating, granting, transferring, assigning or surrendering a right (for example, royalties received)
- entry into, or release from, an obligation to
    - do anything
    - refrain from an act
    - tolerate an act or situation (for example, agreeing as part of the sale of your business to not operate a similar business within a certain area).
- providing goods or services in return for sponsorship
- the GST-inclusive market value of goods and services (or other things) you receive in barter transactions
- the GST-inclusive market value of anything you supply to an associate
- for no payment or sell to an associate for less than the GST-inclusive market value if
    - your associate is not registered, or required to be registered, for GST
    - your associate has not received the thing either partly or wholly for their business
    - the thing received by your associate relates partly or wholly to making sales that would be input taxed
    - the thing supplied is partly or wholly of a private or domestic nature.

Do not report at G1:

- dividends you receive
- donations and gifts you receive
- private sales that are not related to your business, for example, selling your home or furniture from your home
- salary and wages you receive
- government pensions and allowances
- amounts you receive from hobby activities
- trust and partnership distributions you receive
- tax refunds
- receipts for services provided under a pay as you go (PAYG) voluntary agreement – unless it is made to a business that cannot fully claim GST credits for the services
- business loans you receive
- the amount on the sale of a luxury car that is the luxury car tax (LCT) paid or payable by you
- taxes, fees and charges you have received that don't include GST
- amounts received for sales not connected with Australia, unless a special rule makes the sales taxable, GST-free or input taxed
- anything that is constituted by an insured settling a claim under an insurance policy or in settling a claim under a compulsory third-party scheme (if you are not an operator of such a scheme), for example, if you supply goods to an associate as part of settlement of a claim under an insurance policy.

Remove GST from the amount you report at G1 if you are using the accounts method and have chosen to show amounts as GST-exclusive.

Export sales

If you have made a GST-free sale of exported goods and show the free on board value (this is the value for Customs and Border Protection purposes) of the export at G2 together with the amount received for freight and insurance relating to that export at G3, then report at G1 the amount equal to the sum of the amounts shown at G2 and G3 for that export.

See also:

- GST for the racing industry
- Bartering and barter exchanges
- GST – travel agents and commissions
- GST and consignment sales
- GST guidance for gambling and gaming venues
- GST and the disposal of capital assets
- GSTD 2001/2 Goods and services tax: is the sale of goods by a lessor on expiry of a lease agreement a separate supply to the lease of the goods?
- GSTR 2001/6 Goods and services tax: non-monetary consideration
- GSTR 2003/14 Goods a*nd services tax: the GST implications of transactions between members of a barter scheme conducted by a trade exchange.*

Sales with special rules

Sales of excisable goods in bond

If you have made a sale of excisable goods in bond, report the sale at G1.

However, you should report at G1 the sale price plus 110% of the excise duty that would have applied if the goods had been entered for home consumption if you make a sale to a purchaser who is either:

- not registered or required to be registered for GST
- registered or required to be registered for GST but the purchase
    - is not wholly or partly for their business
    - is wholly or partly of a private or domestic nature
    - relates wholly or partly to making sales that would be input taxed.

Other sales

If you conduct the following types of sales, there may be special rules you need to consider when you report an amount at G1 on your activity statement:

- hire purchase sales
- sales made through an agent
- sales made as agent for a non-resident
- coin-operated machine sales
- sales for which part of the payment is received before the total payment is known
- sales made under a conditional contract or a contract subject to retention clause.

See also:

- Hire purchase, leasing and GST
- Supplies made through agents and other intermediaries
- GSTR 2000/37 Goods and services tax: agency relationships and the application of the law
- GSTR 2000/29 Goods *and services tax: attributing GST payable, input tax credits and adjustments and particular attribution rules made under section 29–25*

G2 Export sales

This section describes what you do and do not report at G2. Special rules apply in some circumstances.

All amounts reported at G2 should also have been reported at G1.

What you do and do not report at G2

Report at G2:

The free-on-board value of export goods (that is, the value used for Customs purposes) if the export is GST-free because:

- you export the goods from Australia within 60 days after either
  - the day you receive any payment for the sale
  - you issue an invoice for the sale before you receive any payment (there are some circumstances in which the purchaser can export the goods instead of you).

- you sell goods and the payment was to be provided as instalments under a contract that requires the goods to be exported and you exported them before or within 60 days after the day
  - on which you received any of the final instalment
  - you issue an invoice for the final instalment before you receive any of the final instalment (there are some circumstances in which the purchaser can export the goods instead of you).

- you sell an aircraft or ship that was paid for in instalments under a contract that requires the aircraft or ship to be exported, but only if the purchaser exports it from Australia within 60 days after the earliest day in which at least one of the following occurs
  - you receive any of the final instalment of payment for the sale
  - you issue an invoice for that final instalment
  - you deliver the aircraft or ship to the purchaser or (at the purchaser's request) to another person.

- you sell an aircraft or ship, but only if the purchaser exports it from Australia under its own power within 60 days after taking physical possession of it
- you sell a ship, but only if
  - the ship is a new recreational boat
  - you or the purchaser export the ship within 12 months
  - the ship is used only for recreational/non-commercial purposes while it is in Australia.

- you sell aircraft or ships stores or spare parts for use, consumption or sale on international flights or voyages, whether or not part of the flight or voyage involves a journey between places in Australia.

Amounts for the:

- sale of goods used in the repair, renovation, modification or treatment of other goods from outside Australia and their destination is outside Australia. The goods must be attached to (or become part of) the other goods or become unusable or worthless as a direct result of being used to repair, renovate, modify or treat the other goods
- repair, renovation, modification or treatment of goods from overseas whose destination is outside Australia after the repair, renovation, modification or treatment
- sale of goods that satisfy certain criteria and are exported by travellers as accompanied baggage.

Do not report at G2:

- GST-free services – unless they relate to the repair, renovation, modification or treatment of goods from overseas and their destination is outside Australia
- freight and insurance to transport the goods outside Australia or other charges imposed outside Australia in the free-on-board value
- international transport of goods or international transport of passengers.

All G2 items should all be reported at G3 if they are GST-free.

Contact the ATO by phone for information on how to apply to extend the 60-day limit for export of your goods, ships or aircraft (12 months for new recreational boats).

See also:

- GST-free sales of new recreational boats – suppliers
- GSTR 2002/6 Goods and services tax: exports of goods, items 1 to 4 of the table in Subsection 38-180(1) of the New Tax System (Goods and Services Tax) Act 1999
- GSTR 2003/4 Goods and services tax: stores and spares for international flights and voyages
- GSTR 2005/2 Goods and services tax: supplies of goods and services in the repair, renovation, modification or *treatment of goods from outside Australia whose destination is outside Australia*

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G3 Other GST-Free Sales

Report at G3 your other GST-free sales as listed in the tables below. If you haven't already done so, check the list of supplementary activity statement instructions to see if you need any that apply to your sales.

All amounts reported at G3 should also have been reported at G1.

Food retailers

Food retailers may be eligible to use a simplified accounting method to estimate their sales and purchases that are GST-free.

See also:

- Simplified GST accounting methods for food retailers
- GST food guide

What you do and do not report at G3

Report at G3:

Report all GST-free sales you have made, including:

- basic food, including food for human consumption
- most health and education services
- beverages (including water) for human consumption listed in Schedule 2 of A New Tax System (Goods and Services Tax) Act 1999
- eligible childcare services
- certain sales by eligible charities, gift deductible entities or government schools where specific conditions are satisfied, including sales for a token amount of payment and raffles and bingo
- sales made to a resident of a retirement village by an eligible charity of accommodation in a retirement village or services relating to the supply of that accommodation and the provision of meals
- religious services provided by religious institutions that are integral to practicing that religion
- sales of going concerns – certain conditions must be satisfied including that you and the purchaser have agreed in writing that the sale is of a going concern and you supply all things necessary for the continued operation of the business
- the first sale of precious metal after its refining by or on behalf of the seller, and
  - it was refined by a precious metal refiner
  - the sale was made to a dealer in precious metal.
- sales of water (except if it is provided in, or transferred into, containers with a capacity of less than 100 litres)
- certain sewerage services including emptying of septic tanks and storm water draining
- international transport and mail that meets certain criteria (contact us by phone for more information)
- certain services in arranging international travel.

Do not report at G3:

- export amounts – show these at G2
- basic food, including food for human consumption that is
- for consumption on the premises from which it is sold (for example, cafes and restaurants)
    - hot takeaway food
    - a food type listed in Schedule 1 of *A New Tax System (Goods and Services Tax) Act 1999* (certain prepared food, confectionery, savoury snacks, bakery products, ice-cream foods and biscuits) or foods that are a combination of foods where at least one food type in the combination is listed in Schedule 1.

- sales of water that is provided in, or transferred into, containers with a capacity of less than 100 litres.

Purchases

This section provides information on:

- what we mean when we say capital purchases
- what you do and do not report at G10
- capital purchase for $1,000 or less.

G10 Capital purchases

Capital purchases are 'capital' items you purchase including:

- business assets you purchase such as machinery, cash registers, computers and cars (these items are also referred to as plant and equipment)
- land and buildings.
- These assets can be brand new or second-hand, and may be imported.
- Things that are not capital items include:
- trading stock
- normal running expenses such as stationery and repairs
- equipment rentals or leases.
- If you haven't already done so, check the list of supplementary activity statement instructions to see if you need to obtain any additional instructions that apply to your specific types of purchases.

What you do and do not report at G10

Report at G10:

- amounts for capital items such as
    - machinery and equipment
    - cash registers
    - office furniture
    - computers
    - cars.

- the GST-inclusive market value of any capital item you receive from your associate for no payment or for less than the GST-inclusive market value, if either
  - you have not received the thing wholly or partly for your business
  - the thing received is wholly or partly of a private or domestic nature
  - the thing received relates wholly or partly to making sales that would be input taxed.
  - the amount paid or payable for a purchase or importation of a car that exceeds the car limit for the relevant financial year, only if you are specifically entitled to quote an ABN for the purchase or importation.

Do not report at G10:

- purchases and importations that are not related to your business
- the stamp duty component of any capital purchases
- the amount paid or payable for a purchase or importation of a car that exceeds the car limit for the relevant financial year
- anything that is constituted by an insurer settling a claim under an insurance policy, or by an operator of a compulsory third-party scheme settling a claim under a compulsory third-party scheme (if you are not an operator of such a scheme).
- Remove GST from the amount you report at G10 if you are using the accounts method and have chosen to show your amounts as GST-exclusive.
- If you have imported capital items for your business, refer to Purchases and importations with special rules for information about other amounts to report at G10.

See also:

- GST and motor vehicles
- GST and the disposal of capital assets
- Claiming GST credits
- Luxury car tax
- Purchases for $1,000 or less

G10 (and G11) require you to separately report your capital and non-capital purchases. If you already record these purchases separately in your records, use this existing breakdown to fill in the G10 and G11 labels. If you do not record capital and non-capital purchases separately and your GST turnover is expected to be less than $1 million then:

- you only need to record capital items costing more than $1,000 at G10 (capital purchases)
- capital and non-capital items costing $1,000 or less can be recorded at G11 (non-capital purchases).

G11 Non-capital purchases

This section provides information about:

- what we mean when we say non-capital purchases
- what you do and do not report at G11
- purchases and importations with special rules.
- Non-capital purchases may include:
- trading stock

- normal running expenses such as stationery and repairs, or equipment rentals or leases.

What you do and do not report at G11

Report at G11:

- all amounts for your business purchases (other than those reported at G10) relevant to the reporting period such as
- most business purchases, including services and stock bought for resale
- the price of any insurance premiums related to your business (except for third-party motor insurance premiums relating to a period of cover starting before 1 July 2003) less the amount of stamp duty
- purchases paid for by an employee, agent, officer or partner that you have reimbursed in specified circumstances
- capital items costing $1,000 or less that have not been reported at G10
- intangible supplies purchased from off-shore that are of a non-capital nature.

- the GST-inclusive market value of any non-capital item you receive from your associate for no payment or for less than the GST-inclusive market value, if either
  - you have not received the thing wholly or partly for your business
  - the thing received is wholly or partly of a private or domestic nature
  - the thing received relates wholly or partly to making supplies that would be input taxed.

Do not report at G11:

- purchases and importations that are not related to your business
- an amount for a purchase or importation of a car that exceeds the car limit for the relevant financial year, unless you are specifically entitled to quote an ABN in relation to the supply to which the purchase relates or in relation to the importation
- the price of any third-party motor insurance premiums relating to a period of cover starting before 1 July 2003
- anything that is constituted by an insurer settling a claim under an insurance policy or by an operator of a compulsory third-party scheme settling a claim under a compulsory third-party scheme (if you are not an operator of such a scheme)
- salary and wages you pay
- superannuation contributions you pay for employees.

SUMMARY

The summary appears on the back of your activity statement.

1A GST On Sales Or GST Instalment

You report at 1A the total amount of GST (including any relevant adjustments) you are liable to pay us for the reporting period. The amount you report and pay will depend on the reporting and paying method you use.

If you use the accounts method, you can take the amount to be shown at 1A directly from your records.

1B GST on purchases

You report at 1B the total amount of GST credits (including any relevant adjustments) you are eligible to claim from the ATO. The amount you report will depend on the reporting and paying method you use.

If you use the accounts method, you can take the amount to be shown at 1B directly from your records.

Record keeping

You should keep a copy of your activity statement and the records used to prepare it for five years after they are prepared, obtained or the transactions completed, or the period of review, whichever is the later. The records should be in writing and in English. If they are not in a written form (for example, they are on magnetic tape or computer disk), they must be in a form that is readily accessible and easily converted into English

Simpler BAS reporting method (< $10 million GST turnover)

If your GST turnover is less than $10 million you report using the Simpler BAS reporting method.

On your monthly or quarterly BAS, or your annual GST return, you must report the following GST information:

- G1 Total sales
- 1A GST on sales
- 1B GST on purchases
- GST information is no longer required for:
- G2 Export sales
- G3 Other GST-free sales
- G10 Capital purchases
- G11 Non-capital purchases

If you use any of our electronic lodgment options, you will only be asked to give us amounts for those three labels, excluding lodgments made through electronic commerce interface (ECI) and electronic lodgment service (ELS) which require a 0inserted at G10 Capital purchases and G11 Non-capital purchases.

If you lodge a paper BAS or annual GST return, sections where information is no longer needed can be left blank.

Under Simpler BAS reporting you no longer need to complete the GST calculation worksheet.

If you were previously a streamlined quarterly reporter (option 2), you no longer need to complete the GST annual information report.

For annual reporters, your annual GST return for 2016–17 will have the additional GST information requirements. You have the option to leave these sections blank if you have already configured your accounting software for Simpler BAS.

GST instalment method (< $10 million turnover, and pay GST instalments and report annually)

If your GST turnover is less than $10 million and you currently pay GST instalments and report annually, you generally continue to use it. If the GST instalment method is available to you, a GST instalment amount will show on your BAS.

On your annual GST return, you must report the following GST information:

- G1 Total sales
- 1A GST on sales
- 1B GST on purchases
- 1H GST instalment amounts reported in your quarterly instalment notices for the period shown on the annual GST return.

GST information is no longer required for:

- G2 Export sales
- G3 Other GST-free sales
- G10 Capital purchases
- G11 Non-capital purchases

If you use any of electronic lodgment options, you will only be asked to give amounts for those three labels, excluding lodgments made through ECI and ELS which require a 0 inserted at G10 Capital purchases and G11 Non-capital purchases.

If you lodge a paper annual GST return, sections where information is no longer needed can be left blank.

You no longer need to complete the GST calculation worksheet for your annual GST return

Your annual GST return for 2016–17 will have the additional GST information requirements. You have the option to leave these sections blank if you have already configured your accounting software for Simpler BAS.

If you do not currently use the GST instalment method but would like to, you need to contact the ATO. You must report GST quarterly to use this method.

If you would like to report your actual GST amounts instead of paying GST instalment amounts, you can switch to the Simpler BAS reporting method by contacting the ATO. This will remove the need to lodge an annual GST return at the end of the year.

If your GST turnover changes

If your GST turnover reaches $10 million or more you should call us on 13 28 66 to update your turnover. We will move you to full reporting from the start of the next financial year.

If your GST turnover falls below $10 million, you should call us on 13 28 66 to update your turnover. In this case we will:

- move you to Simpler BAS reporting from the start of your next tax period, or
- move you to GST instalments if you are eligible for and elect to use GST instalments (quarterly reporters only) – the start date depends on when you make your election.

Accounting software

To access the full GST bookkeeping benefits of Simpler BAS, your accounting software needs to support Simpler BAS. We have partnered with the relevant software providers to make it easier to classify sales and purchases for GST.

Your software provider may contact you to advise what Simpler BAS settings are available. Alternatively, you can check if your provider has registered their Simpler BAS software using the Australian Business Software Industry Association (ABSIA) Product Catalogue.External Link

Your accounting software provider will provide you with instructions on how to set up bookkeeping for Simpler BAS. If you rely on a tax professional for BAS assistance, you may wish to discuss Simpler BAS with them.

Example – Xero Simplified BAS

If you are using the simplified BAS the number of tax codes you need is reduced.

Tax Scale	Description
BAS Excluded	Not related to GST or the BAS. Examples; petty cash, trade debtors, cost of goods sold, accumulated depreciation on any asset, withholding credits, credit card payments, superannuation payable, GST collected on sales, GST paid on purchases, union fees payable, retained earnings, depreciation, salaries and wages, FBT, PAYG tax.
GST Free Expenses	Expenses without GST in the price.
GST Free Income	Goods and services that are free. Examples; fresh fruits that are sold or purchased, some donations, some medical practices.
GST on Expenses	Expenses with GST in the price such as rent, , electricity, freight, insurance, lease payments, legal fees, motor vehicle expenses, postage and stationery, petrol, printing, office supplies, staff amenities, telephone expenses, purchases and sale of stock.
GST on Imports	Used to record GST on goods imported (where a freight agent charges the tax after the goods have been imported.
GST on Income	Taxable supplies with GST included in the price.

Example – Xero Full Reporting

If you are select advanced tax rates you will have the following tax rates in addition to the basic rates.

Tax Scale	Description
GST on Capital	Capital acquisitions with GST in the price. Examples; furniture and fittings, motor vehicles, office equipment, buildings all at cost.
GST Free Capital	Capital acquisitions without GST in the price. Examples; furniture and fittings, motor vehicles, office equipment, buildings all at cost.
Input Taxed	Input Taxed Supplies E.g. Residential rental income, financial supplies
GST on Capital Imports	Used to record GST on capital items imported (where a freight agent charges the tax after the goods have been imported.
GST Free Exports	GST Free Export Sales

`

EXAMPLE

If you use MYOB you would typically use the tax codes below for full reporting:

Tax Code	Description and Example	BAS Code
EXP	GST Free Export Sales	G1 & G2
FRE	Goods and services that are free. Examples; fresh fruits that are sold or purchased, some donations, some medical practices.	G1 & G3
CAP	Capital acquisitions. Examples; furniture and fittings, motor vehicles, office equipment, buildings all at cost.	G10
GST	Goods and services tax. A tax levied on sale and purchase of goods and services. Examples; commercial rents, discounts given, accounting fees, collection of bad debts, discounts taken, dues and subscriptions, electricity, freight, insurance, lease payments, legal fees, motor vehicle expenses, postage and stationery, petrol, printing, office supplies, staff amenities, telephone expenses, purchases and sale of stock.	G1 for income G11 for non capital purchases
N-T	No tax. Not related to GST or the BAS. Examples; petty cash, trade debtors, cost of goods sold, accumulated depreciation on any asset, withholding credits, credit cards, superannuation payable, GST collected on sales, GST paid on purchases, union fees payable, retained earnings, inventory adjustment, depreciation, salaries and wages, FBT, PAYG tax.	

If you are using the simplified BAS you may not need the following tax codes for your personal reporting needs, you can delete them, and use the GST, FRE or N-T codes (whichever is appropriate) in their place:

- CAP: This code was used to track capital purchases.
- EXP: This code was used to track GST-free exports.

Part 8 - Lodging Your Activity Statement and Paying the Taxation Office

The due date for lodging and paying is pre-printed at the top right-hand corner of your activity statement. You can lodge and pay electronically or by mail but you need to do it on time to avoid interest and penalties.

You can lodge your BAS electronically, by mail or for nil lodgments on the phone. You can pay electronically, by mail or in person at Australia Post.

To avoid penalties you need to lodge and pay on time. If you can't lodge or pay by the due date, contact the ATO as soon as you can.

WHAT IF I CAN'T LODGE AND PAY ON TIME?

You can phone the ATO on **13 28 66** to check whether alternative arrangements can be made.

You must still lodge your activity statement by the due date, even if you can't pay on time. A penalty may be applied if you fail to lodge on time, and a general interest charge will be applied to any amount not paid by the due date.

HOW TO LODGE AND PAY

Electronically

You can lodge electronically using:

- using the ATO's online services for individuals and sole traders (you will need a myGov account linked to the ATO).
- the online Business Portal
- directly from your Standard Business Reporting (SBR) enabled software
- your registered tax agent.

For more information about how to lodge your activity statement electronically:

- visit **ww**w.ato.gov.au/esd or
- phone 1300 **139 051**.

Payments can be made by:

- direct credit – initiate an electronic payment using internet banking or a banking software package
- BPAY® (Biller code 75556) – use your financial institution's BPAY facility to pay by phone or internet (the EFT code on your activity statement is the BPAY reference number), or

- direct debit – you will need to complete and send a Direct debit request form (NAT 2284) to the ATO. You can obtain this form from your tax agent, from our website or by phoning the Electronic Funds Transfer Help Desk on 1800 802 308 between 8.00am and 6.00pm Monday to Friday. Business Portal users can also send requests to the ATO via the portal's message facility.
- Credit card (Visa, MasterCard, American Express)

For more information about direct credit or BPAY:

- phone **1800 815 88**6, or
- email payment@ato.gov.au

For more information about direct debit:

- phone **1800 802** 308, or
- email eft-information**@ato.gov.au**

Post office

You can also pay at Australia Post outlets using your original payment advice form. Payments can be made with cash (a $3,000 limit applies), money order or cheque. EFTPOS is available at most Australia Post outlets for savings and cheque accounts only.

To order additional or replacement payment advice forms, phone **13 72 26**.

By mail

Mail your original completed activity statement, with your cheque, using the pre-addressed envelope provided, to:

Australian Taxation Office,
Locked Bag 1936,
Albury NSW 1936
if you are in WA, SA, NT, TAS or VIC, or

Australian Taxation Office,
Locked Bag 17**93,**
Penrith NSW 1793
if you are in NSW, ACT or QLD.

Cheques should be made payable to the 'Deputy Commissioner of Taxation' and crossed 'Not negotiable'. Don't attach your cheque with pins or staples, and don't send cash.

It's important that you send your original activity statement, not a copy or a version generated from a commercial software package. If you use a commercial software package, make sure you transfer the information onto your original statement.

EXPECTING A REFUND?

Generally, if you have an ABN, refunds can only be paid directly into your nominated financial institution account, so it's essential that we have your correct account and BSB numbers.

Your nominated account must be at a branch of the institution in Australia.

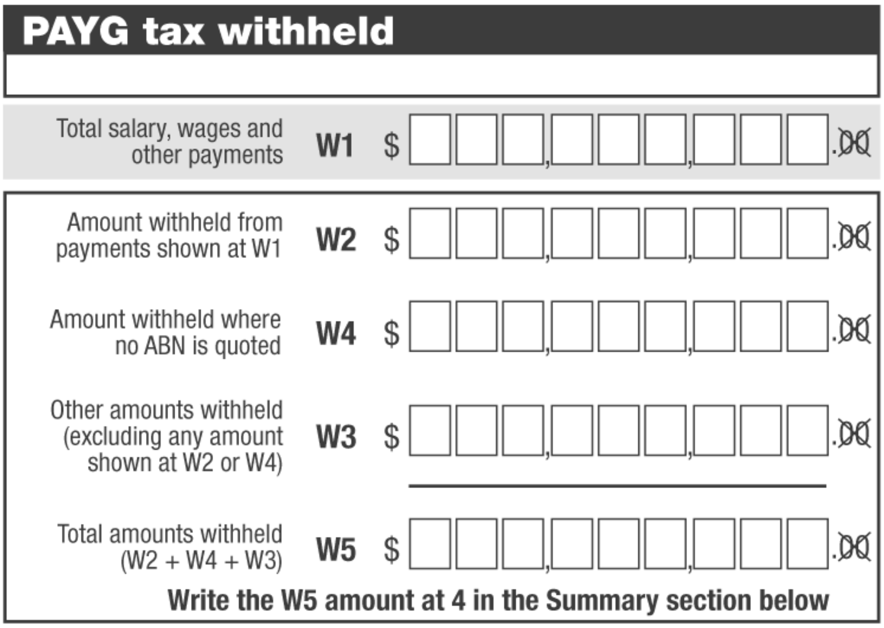
If you don't have an ABN, your refund will be paid by cheque. Occasionally, you may not receive your refund or the refund you receive may be less than you expected. This can occur for several reasons, including:

- The ATO have kept part, or all of your refund to apply it against a tax debt that you owe – this process is known as offsetting
- The ATO may use a credit balance from one of your other tax accounts to pay a tax debt you owe and subsequently receive a payment from you in relation to that tax debt. As a result, your account may be placed in credit and your payment becomes what is called a voluntary payment, and is not automatically refunded
- The ATO have held your refund because you haven't nominated a bank account to pay your refund into, or the bank account details you provided are incorrect or incomplete
- The ATO have held your refund because you have not lodged one or more of your activity statements, or
- The ATO have held the refund because we need to check, or verify with you, some details shown on your return or activity statement.

For more information about expecting a refund, see *Where is my refund?* – available only on at **www.ato.gov.au**

Chapter 3

3. BAS - PAYG Tax Withheld / Payroll



PAYG tax withheld

Total salary, wages and other payments	W1	$ .00
Amount withheld from payments shown at W1	W2	$ .00
Amount withheld where no ABN is quoted	W4	$ .00
Other amounts withheld (excluding any amount shown at W2 or W4)	W3	$ .00
Total amounts withheld (W2 + W4 + W3)	W5	$ .00

Write the W5 amount at 4 in the Summary section below

Your reporting period will be

Withholding Section

Complete the Pay As You Go (PAYG) withholding section of your activity statement if you have withheld tax from payments to others. The new PAYG withholding system provides a standardised and easy to

understand system to help businesses work out which types of payments are subject to withholding. The rates of withholding are usually in accordance with the withholding schedules (tax tables) published by the Commissioner of Taxation or, for some payments, in accordance with the Taxation Administration Regulations.

Withholding arrangements generally apply to salary or wage type payments made to employees, payments to company directors and other office holders, and a range of other payments. Withholding arrangements also apply to payments made on invoices where a supplier's ABN is not quoted. Certain investment distributions may also be subject to withholding arrangements.

The taxation law classifies withholders as small, medium or large, as follows.

- Small withholders are those who withheld $25,000 or less in the previous financial year.

- Medium withholders are those who withheld more than $25,000 but not more than $1 million in the previous financial year.
- Large withholders are those who withhold more than $1 million

If you are a small withholder you need to complete the PAYG withholding section of your activity statement and pay any amount owing for each quarter.

If you are a medium withholder you need to complete the PAYG withholding section of your activity statement and pay any amount owing for each month. Your monthly activity statement and any payment are due on the 21st of each month following the period covered by the activity statement. Note that even if you have other quarterly obligations to the ATO, you will receive a monthly activity statement to notify and pay your PAYG withholding obligation.

Large withholders do not use an activity statement to report PAYG amounts withheld. There are separate arrangements for the notification and payment of PAYG amounts withheld by large withholders, that is, those who withhold more than $1 million. If you are a large withholder, the ATO will send you the guidelines on how to pay PAYG amounts you withhold. For more information download PAYG withholding for large withholders (NAT 3301).

W1 -Total of salary, wages and other payments

This is where you report the payments from which you are usually required to withhold amounts at the rate shown in the Commissioner's published tax tables.

Completing W1

Work out the total amounts you paid, before withholding any amounts, for the following types of payments:

- salary, wages, allowances and leave loading paid to employees
- director fees
- salary and allowances paid to office holders (including members of parliament, statutory office holders, defence force members and police officers)
- payments made by a labour hire firm to labour hire workers under a labour hire arrangement
    - payments to religious practitioners, and
    - commonwealth education and training payments.

Include all payments subject to withholding, even if you weren't required to withhold any amount. For example, if you pay an employee $80 a week, and they claim the tax-free threshold, there is generally no obligation to withhold as long as they have previously provided their tax file number, but you still need to

report the total payment at W1.

Don't include:

- amounts subject to salary sacrifice arrangements
- superannuation contributions
- departing Australia superannuation payments
- payments from which you withheld an amount because an ABN was not quoted (see W4)
- an investment distribution from which you withheld an amount for non-quotation of a tax file number
- interest, dividends or royalty payments from which you withheld an amount for a payment to a non-resident, or n payments to foreign residents for entertainment, sports, construction and casino gaming junket activities.

If you didn't make any payments, leave the boxes blank.

W2 AMOUNTS WITHHELD FROM SALARIES OR WAGES AND OTHER PAYMENTS SHOWN AT W1

Include at W2 the total amount you withheld from salaries, wages and other payments shown at W1. If you didn't withhold any amounts leave the box blank.

This is the main type of withholding. If you have no other withholding obligations, go to W5.

W4 - AMOUNTS WITHHELD WHERE NO ABN IS QUOTED

Where you make payments to suppliers who do not quote their ABN to you, you must generally withhold 47% of the invoice amount and pay this to the tax office. Not quoting their ABN means that there was no ABN on the invoice and the supplier did not provide it in any other way.

For more information on no ABN withholding refer to *Should your suppliers quote their ABN?...a guide for business* (Nat 3346). Include at W4 the total amount you withheld from payments to suppliers who did not quote their ABN to you. If you have nothing to report, leave W4 blank.

W3 OTHER AMOUNTS WITHHELD (EXCLUDING ANY AMOUNT SHOWN AT W2 OR W4)

W3 covers other types of withholding. Include the total amounts, if any, you withheld from:

- interest, dividends, unit trust or other investment distributions you made, where the person you are paying has not filled in a Tax file number (TFN) declaration form or otherwise provided you with a TFN (includes a non-resident)
- interest, dividends or royalty payments you made to a non resident
- any departing Australia superannuation payments you made, and
- any payments you made to foreign residents, for:
  - entertainment and sport activities
  - construction and related activities, or
  - arranging casino gaming junket activities.

If you have nothing to report, leave W3 blank.

W5 - TOTAL AMOUNTS WITHHELD (W2 + W4 + W3)

Include at W5 the total of W2 + W4 + W3.

Don't include W1 in your W5 total.

Copy the total at W5 to 4 in the 'Summary' section of your activity statement. If your activity statement only asks you to report PAYG withholding, then you won't have a summary section. Your total withholding will be reported at 9 in the 'Payment or refund' section of your activity statement.

4 - PAY AS YOU GO WITHHOLDING

Completing - 4 Small withholders

Small withholders are required to notify and remit the amounts withheld from payments during a quarter by the 21st day after the end of that quarter.

- Add the amounts recorded at W2, W3 and W4.
- Write at 4 the total amount you have withheld from all payments.

Medium withholders

Medium withholders are required to notify and remit the amounts withheld from payments during a month by the 21st day of the next month. They will receive monthly activity statements for the first and second months of each quarter to supplement the four quarterly statements for their other business obligations.

- Add the amounts recorded at W2, W3 and W4.
- Write at 4 the total amount you have withheld from all payments.

Example calculating a withholding amount

Alpha Centuri Pty Ltd withheld amounts from payments during the month of August. The company is a medium withholder and must pay amounts withheld during a month by the 21st day of the following month. The ATO will issue an activity statement for each month.

During August Alpha Centuri Pty Ltd:

- made payments of $75,800 for wages and withheld $15,325 (the withholding amounts are deducted according to the Commissioner's tax tables)
- made payments of $5,000 on invoices where an ABN was not quoted and withheld $2425, and
- did not make any investment distributions.

Alpha Centuri completes its activity statement for withholding amounts as follows:

W1 - Writes total payments of $75,800.

W2 - Writes the withheld amount of $15,325.

W3 - Writes $0.

W4 - Writes the withheld amount of $2,425. Note that the company does not include the payment of $5,000 for invoices from which it withheld amounts because an ABN was not quoted.

Total amount of Alpha Centuri Pty Ltd's withholding liability

Alpha Centuri adds the amounts at W2 and W4 and writes this amount at 4 on the front of its activity statement. The total amount at 4 is $17,750, made up of $15,325 from W2 and $2,425 from W4.

This is the amount of the company's withholding liability for August. The company may have other liabilities on this activity statement.

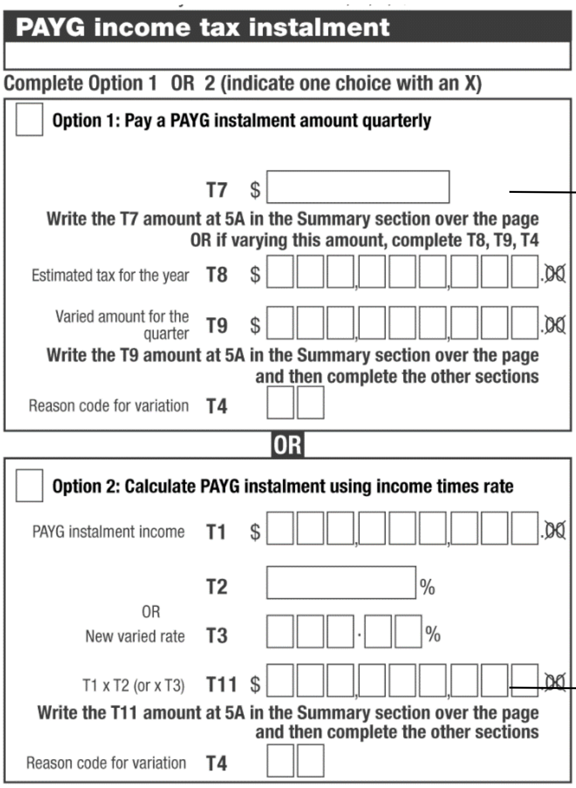
Check that you have:

- written at the total of salary, wages and other withholding payments
- written at the amount withheld from salary, wages and other payments recorded at
- written at the amount withheld from investment distributions where a tax file number was not quoted
- written at the amount withheld from payment of invoices where an ABN was not quoted, and
- written at the total amount withheld from all payments.

The circumstances and obligations about withholding are explained in detail in the Guide to Pay As You Go for business which is available from the ATO.

Chapter 4

4.BAS - PAYG Instalments



PAYG income tax instalment

Complete Option 1 OR 2 (indicate one choice with an X)

Option 1: Pay a PAYG instalment amount quarterly

T7 $

Write the T7 amount at 5A in the Summary section over the page
OR if varying this amount, complete T8, T9, T4

Estimated tax for the year T8 $ .00

Varied amount for the quarter T9 $ .00

Write the T9 amount at 5A in the Summary section over the page
and then complete the other sections

Reason code for variation T4

OR

Option 2: Calculate PAYG instalment using income times rate

PAYG instalment income T1 $ .00

T2 %

OR

New varied rate T3 . %

T1 x T2 (or x T3) T11 $ .00

Write the T11 amount at 5A in the Summary section over the page
and then complete the other sections

Reason code for variation T4

This is the option you complete if you are paying a PAYG instalment amount notified by the ATO.

This is the option you complete if you pay your PAYG instalment by calculating your *instalment income x instalment rate..*

This section outlines the options for reporting PAYG instalments. Generally, if you have business or investment income, you will pay PAYG instalments quarterly or annually.

You must choose your reporting option by the due date of your first activity statement for the income year. You cannot change that option until the first quarter of the next income year.

If you have already chosen an option, there will be a pre-printed **X** in the box next to that option.

If you have not made a valid choice by the due date, the default option will apply. If you paid PAYG instalments last year, you will default to the same option you used last year (assuming you are still eligible for it). If this is the first year that you are paying PAYG instalments, you will default to option 1 (paying an instalment amount) if you are eligible for it.

REPORT AND PAY A PAYG INSTALMENT ANNUALLY

If you choose to pay an annual PAYG instalment, your choice remains in place indefinitely unless your circumstances change or you tell us that you no longer wish to pay annually.

For more information on annual reporting, refer to What you need to do with your annual PAYG instalment notice

(NAT 9411)

REPORT AND/OR PAY PAYG INSTALMENTS QUARTERLY

Eligible quarterly PAYG instalment payers can choose from the two reporting options outlined below. Your quarter one activity statement will contain a box next to each of the options available to you. Place an **X** in the box next to the option you choose. If you have already chosen an option, there will be a

pre-printed **X** in the box next to that option.

OPTION 1: PAY A PAYG INSTALMENT AMOUNT QUARTERLY

Option 1 is available to:

- all individuals
- companies and superannuation funds with business or investment income of $2 million or less in their last income tax return, and
- companies and superannuation funds that are eligible to pay an annual PAYG instalment.

Under option 1, the ATO calculate the amount you need to pay based on the business and investment income shown on your most recent income tax return (adjusted by a gross domestic product (GDP) amount). You don't need to know how much income you are earning to work out your instalment amount. This is a good option if you have difficulty gathering information in time to calculate your quarterly instalment amount. This option also means you will know the amount of your instalment each quarter,

which may help you to plan and budget for the payment.

REPORTING OPTIONS

Varying your instalment amount

If you think that using the pre-printed amount at **T7** will result in you paying more (or less) than your expected tax liability for the year, you can vary it.

You may be liable to pay the general interest charge if you vary your PAYG instalment amount down, and end up paying less than 85% of the actual tax that you should have paid on your business and investment income.

Primary producers and special professionals

Eligible primary producers and special professionals who choose option 1 pay only two instalments instead of four. Under this arrangement you generally pay 75% of your annual PAYG instalment liability with your activity statement for quarter three (January to March) and the remainder with your quarter four

activity statement (April to June).

For more information refer to *PAYG instalments for primary producers and special professionals* (NAT 4352).

OPTION 2: CALCULATE PAYG INSTALMENT USING INCOME TIMES RATE

This option is available to all taxpayers. Under option 2, the amount you pay is based on your actual business and investment income for the quarter, instead of an estimate based on your previous tax situation. This may help your cash flow because instalments go up and down in line with fluctuations in your actual income.

Varying your instalment rate

If you think that using the pre-printed rate at **T2** will result in you paying more (or less) than your expected tax liability for the year, you can vary it.

You may be liable to pay the general interest charge if you vary your PAYG instalment amount down, and end up paying less than 85% of the actual tax that you should have paid on your business and investment income.

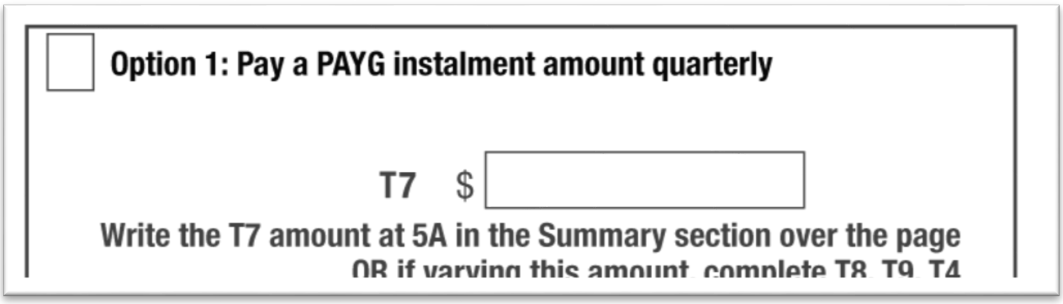
PAYG INSTALMENT OPTION 1 LABELS

T7 TAX OFFICE INSTALMENT AMOUNT

If you choose Option 1, T7 will show an amount worked out by the ATO. If you want to pay this amount, copy it to 5A (PAYG income tax instalment) on your activity statement.

If you think that using the pre-printed amount will result in you paying more (or less) tax than your expected tax for the year, you can vary it. To vary your instalment amount, you must fill in T8, T9 and T4.

T7 could also be your most recent varied amount if you have varied the instalment amount in a previous quarter in the same income year.


Option 1: Pay a PAYG instalment amount quarterly

T7 $

Write the T7 amount at 5A in the Summary section over the page

OR if varying this amount, complete T8, T9, T4

INSTALMENT NOTICES

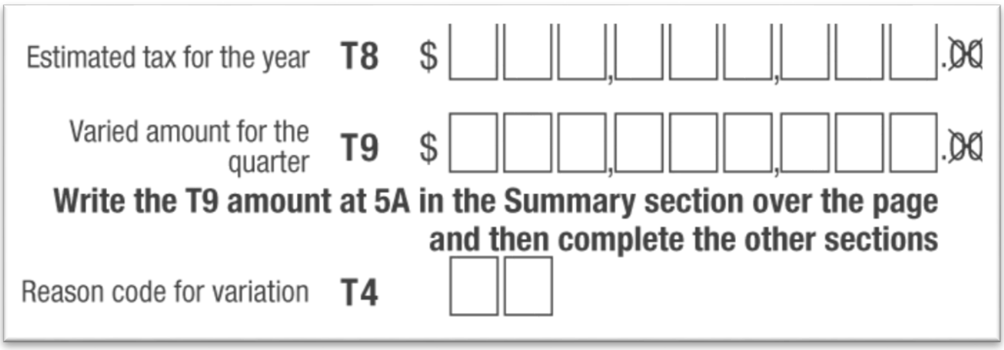
In some cases the ATO may send you an instalment notice rather than an activity statement. If you do not wish to vary the pre-printed instalment amount(s), you only need to pay the amount shown by the due date and you do not need to lodge the notice.

The instalment notices are:

- quarterly PAYG instalment notice (identified by an R in the top left hand corner)
- quarterly GST and PAYG instalment notice (identified by a T in the top left hand corner, and
- annual PAYG instalment notice (identified by an N in the top left hand corner).

T8 - ESTIMATED TAX FOR THE YEAR

If you want to vary your PAYG instalment amount, you must first estimate the tax you expect to pay on your business and investment income for the year. Write this figure at T8.


Estimated tax for the year T8 $, , .00

Varied amount for the quarter T9 $, , .00

Write the T9 amount at 5A in the Summary section over the page and then complete the other sections

Reason code for variation T4

T9 VARIED AMOUNT FOR THE QUARTER

Use the following Four instalments annually table to calculate the amount at T9.

Eligible primary producers and special professionals who pay two instalments should use the *Two instalments annually – eligible primary producers and special professionals* table.

If the result is a positive amount, write it at **T9**. If it's a negative amount or zero, write '0' at **T9**.

If it's a negative amount, you may wish to claim a credit at **5B** (see page 6).

Four instalments annually

If the instalment quarter is:	**Your varied instalment amount is:**
The first in the income year for which you must pay an instalment	25% of your estimated tax from T8 for the income year.
Your second for that income year	50% of your estimated tax from T8 for the income year, less the amount of your first quarter instalment
Your third for that income year	75% of your estimated tax from T8 for the income year, less the amount of your first and second quarter instalments, plus any credit you claimed for the second instalment (amounts reported at 5B on a previous activity statement).
Your fourth for that income year	100% of your estimated tax from T8 for the income year, less the amount of your first, second and third quarter instalments, plus any credit you claimed for the second and third instalments (amounts reported at 5B on a previous activity statement).
If you are subtracting a previous quarter instalment as part of your calculation:	

- use the varied instalment amount if that quarter was varied, and
- subtract the amount whether you have paid the instalment or not.

Two instalments annually – eligible primary producers and special professionals

If the instalment quarter is:	Your varied instalment amount is:
April	75% of your estimated tax for the income year
July	100% of your estimated tax from the income year, less the amount of your April instalment.

If the ATO first notify you of an instalment rate during the second, third or fourth quarters of the income year and you choose to vary your instalment amount, you will need to exclude the earlier quarters when you work out your varied instalment amount. This will result in a lesser amount.

Refer to How to vary quarterly PAYG instalments (NAT 4159) for further information

T4 REASON CODE FOR VARIATION

If you've varied your PAYG instalment amount, you must tell us why. Choose the reason from the table below that best describes why and write the corresponding code at **T4**.

Reason	Code
Change in investments	21
Current business structure not continuing	22
Significant change in trading conditions	23
Internal business restructure	24
Change in legislation or product mix	25
Financial market changes	26
Use of income tax losses	27
Entering Simplified Tax System	28
Leaving Simplified Tax System	29
Consolidations	33

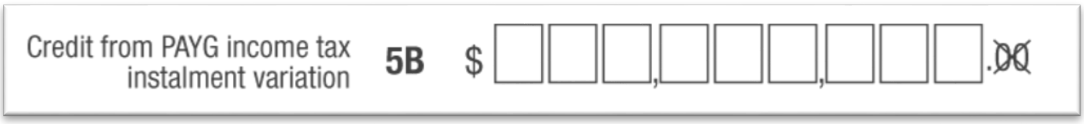
5A PAYG INCOME TAX INSTALMENT


PAYG income tax instalment 5A $ .00

Copy the amount at **T7** (or **T9** if you are varying) to **5A** on your activity statement. This is the total amount of your PAYG instalment for the quarter.

If your only obligation is PAYG instalments you can write ‘0’ at **5A** if your instalment amount for the period covered by the activity statement is $50 or less.

5B CREDIT FROM PAYG INCOME TAX INSTALMENT VARIATION


Credit from PAYG income tax instalment variation 5B $ .00

If you have decided to vary your instalment amount and the amount of the instalment worked out at **T9** is negative, you may be entitled to a credit from earlier instalments for the same income year.

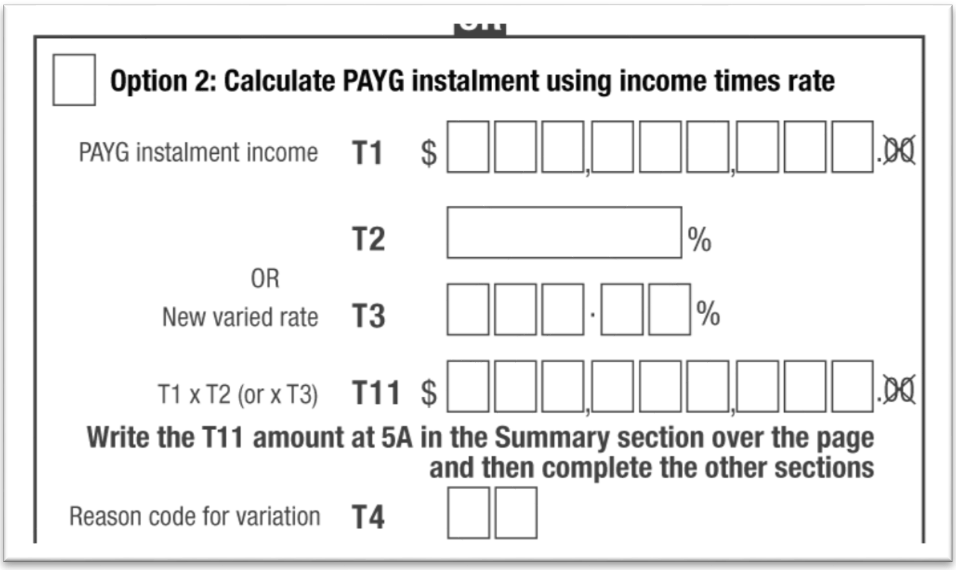
We offset this credit against your other liabilities on your activity statement. We include it in your net obligations amount at **9** in the ‘Payment or refund?’ section of your activity statement. If the instalment you are varying is your first for the income year, you can’t claim a credit.

Even if you are entitled to a credit, you don’t have to claim it in your activity statement. If your total instalments for the year are more than the tax on your business and investment income, we will credit you with the overpayment when we assess your annual income tax return.

To claim a credit where the amount worked out at **T9** is negative, copy the amount at **T9** to **5B**.

If you think you may be entitled to a credit and wish to claim it on your activity statement, refer to *How to vary quarterly PAYG instalments* (NAT 4159).

PAYG INSTALMENT OPTION 2 LABELS



Option 2: Calculate PAYG instalment using income times rate

PAYG instalment income T1 $, , .00

T2 %

OR

New varied rate T3 . %

T1 x T2 (or x T3) T11 $, , .00

Write the T11 amount at 5A in the Summary section over the page and then complete the other sections

Reason code for variation T4

T1 PAYG INSTALMENT INCOME

Work out your instalment income for the quarter and write this at **T1**. If you don't have any instalment income for the period, write '0'.

Include at **T1** all ordinary income you earned from your business or investment activities for the quarter (excluding GST) such as:

- goods or services that you sell or supply
- interest received or credited to your bank account
- gross rent
- dividends paid or re-invested on your behalf (do not include imputation credits)
- royalties
- gross amount of income where tax has been withheld
- because you did not provide your tax file number or Australian business number
- foreign pensions that are assessable in Australia
- your proportion of any partnership or trust income, and
- withdrawals from farm management deposits. If you make a farm management deposit your instalment income for that period is reduced.

For more information refer to:

- PAYG – working our your proportion of partnership instalment income (NAT 3494), and
- PAYG – working out your proportion of trust instalment income (NAT 3495).

Don't include at **T1**:

- GST, wine equalisation tax or luxury car tax you collected
- input tax credits
- any income, such as salary, wages or income subject to a PAYG voluntary agreement, where amounts have been withheld or should have been withheld (other than income that an amount has been withheld from because you did not provide your tax file number or Australian business number)
- loans received
- owner's capital
- grants under the energy grants credits scheme including the fuel sales grant, the product stewardship (oil) benefit and the cleaner fuels grant scheme
- capital gains
- amounts transferred between accounts, or
- imputation (franking) credits.

Don't reduce your instalment income by any allowable deductions that you incur in deriving the income. The allowable deductions that you claimed in your most recently assessed income tax return will be reflected in your instalment rate calculated by us. You can vary your instalment rate if you think that using the rate provided will result in you paying more (or less) than your expected tax for the income year.

T2 - INSTALMENT RATE

The rate pre-printed at **T2** will be either:

- the instalment rate worked out by us, or
- your most recent varied rate if you have varied the instalment rate in a previous quarter in the same income year. If you want to use the rate pre-printed at **T2**, multiply the amount shown at **T1** by this rate. Write the result at **T11**.

- To vary the instalment rate, you must fill in **T3** and **T4**.

T3 -NEW VARIED RATE

If you want to vary your instalment rate, write your new rate at **T3**.

For more information refer to *How to vary quarterly PAYG instalments* (NAT 4159).

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T4 - REASON CODE FOR VARIATION

If you vary your instalment rate, choose a reason from the list below that best describes why and write the appropriate code at **T4**.

Reason	Code
Change in investments	21
Current business structure not continuing	22
Significant change in trading conditions	23
Internal business restructure	24
Change in legislation or product mix	25
Financial market changes	26
Use of income tax losses	27
Entering Simplified Tax System	28
Leaving Simplified Tax System	29
Consolidations	33

There is no need to vary just because your income has gone up or down since your last quarter. The instalment rate is a percentage, so the amount you pay will go up or down in keeping with your income. For example, if your investment and business income for the quarter is zero, the amount you pay will also be zero, regardless of your instalment rate.

T11 - T1 X T2 (OR T1 X T3)

Multiply the amount at **T1** by either:

- the instalment rate pre-printed at **T2**, or
- if you vary the rate, your new varied rate that you wrote at **T3**.

Write the result at **T11**.

5A PAYG INCOME TAX INSTALMENT

Copy the amount at **T11** to **5A** on your activity statement. This is the amount of your PAYG instalment for the quarter.

You can write ‘0’ at **5A** instead of your instalment amount if:

- your instalment amount for the period covered by the activity statement is $50 or less
- you are not claiming a credit at **5B**, and
- PAYG instalments is your only obligation.

EXAMPLE

In the first quarter of the income year, you are offered a choice of options. You decide to use option 2 and you place an **X** in the option 2 box.

Your income for the quarter is:

- total sales of $22,000 (including $2,000 GST), and
- interest and dividends received of $100.

Your instalment income is $20,100 (that is $22,000 less $2,000 GST plus $100 other income). Write the figure **20,100** at **T1**.

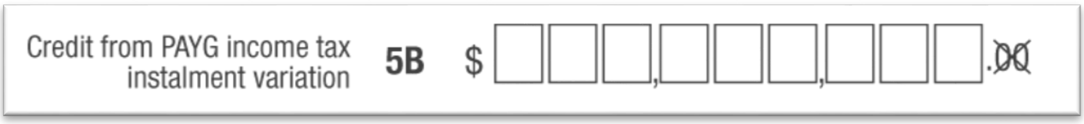
Your calculated instalment rate pre-printed on your activity statement at **T2** is 1.7%.

You calculate the instalment amount to pay as follows:

T1 x T2 = $20,100 x 1.7% = $341.70

Write the figure **341** at **T11**. Copy the figure **341** to **5A**.

5B - CREDIT FROM PAYG INCOME TAX INSTALMENT VARIATION



If you have decided to use a varied instalment rate and your varied instalment rate at **T3** is less than the instalment rate pre-printed at **T2**, you may be entitled to a credit from earlier instalments for the same income year.

A credit will only be available if the earlier instalments were worked out using a higher instalment rate.

The ATO offset this credit against any other tax liabilities on your activity statement. This is included in your net tax payment or refund amount at **9** in the 'Payment or refund?' section of your activity statement.

If the instalment you are varying is your first for the income year, you can't claim a credit.

Even if you are entitled to a credit, you don't have to claim it in your activity statement. If your total instalments for the year are more than the tax on your business and investment income, the ATO will credit you with the overpayment when we assess your annual income tax return.

If you are entitled to a credit for a previous instalment and wish to claim it on your activity statement, write the credit amount at **5B**.

EXAMPLE

ATO notify you that your instalment rate will be 10% for the first quarter. You multiply this rate by your instalment income of $1,000, resulting in an instalment payment of $100.

For the second quarter you choose to vary the instalment rate to 5%. You multiply your current instalment income of $1,000 by the varied rate, resulting in an instalment payment of $50.

You then decide to claim a credit to put you in the position that you would have been in if your instalment rate had always been 5%.

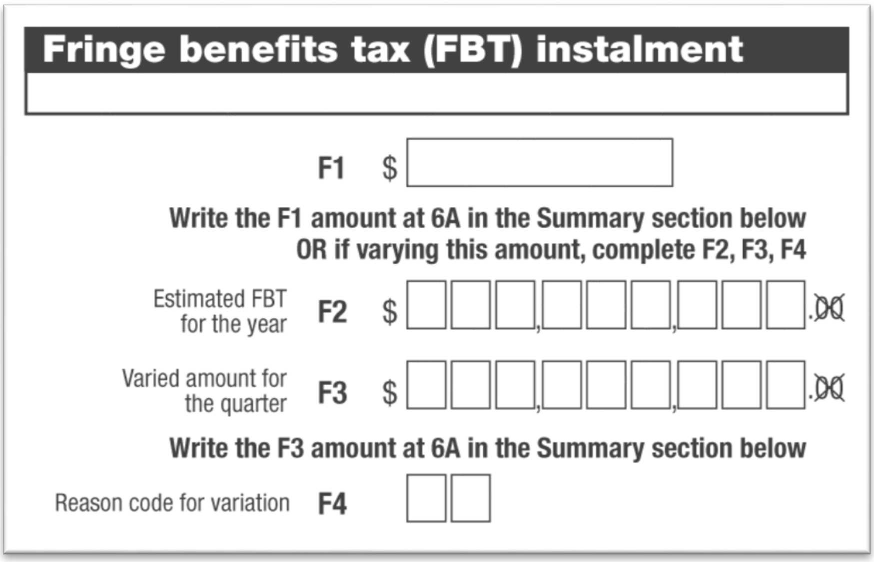
Use the following table to calculate the amount of credit you can claim at **5B**.

1	Add up your earlier instalments (the amounts reported at 5A) even if you haven't paid all of them	100
2	Add up any credits claimed in previous quarters (amounts reported at 5B on a previous activity statement)	0
3	Subtract the amount at step 2 from step 1	100
4	Add up instalment income for all earlier quarters of the income year	1000
5	Multiply the amount at step 4 by the	$1,000 x 5%

	varied instalment rate	= $50
6	Subtract the amount at step 5 from the amount at step 3	$100 – $50 = $50
7	If the result is a positive amount, this is the amount of credit that may be claimed at 5B	$50

If you think you may be entitled to a credit and wish to claim it on your activity statement, refer to *How to vary quarterly PAYG instalments* (NAT 4159).

Chapter 5
5. BAS - FBT Section



Fringe benefits tax (FBT) instalment

F1 $

Write the F1 amount at 6A in the Summary section below
OR if varying this amount, complete F2, F3, F4

Estimated FBT for the year F2 $ .00

Varied amount for the quarter F3 $ .00

Write the F3 amount at 6A in the Summary section below

Reason code for variation F4

Fringe benefits tax (FBT) is a tax employers pay on certain benefits they provide to their employees (including their employees' family or other associates). The benefits may be in addition to or part of their salary or wages package. FBT is separate from income tax.

If you had to pay FBT of $3,000 or more in the previous year, you must pay the tax quarterly by instalments with your activity statement.

The FBT year is from 1 April to 31 March. If you pay FBT by instalments, you should lodge all of your activity statements for the FBT year ending 31 March, including the March quarter, before lodging your annual FBT return. We can then update your FBT account and process the return without delay.

For more information on FBT, refer to:

- Fringe benefits tax for small business (NAT 8164), or
- Fringe benefits tax – A guide for employers (NAT 1054).

F1 - TAX OFFICE INSTALMENT AMOUNT

If you are required to pay FBT quarterly by instalments, the Tax Office will work out an instalment amount for you and pre-print it at F1.

The Tax Office calculate the amount at F1 based on the fringe benefits tax payable on your most recent FBT assessment. If you think that using the pre-printed amount at F1 will result in you paying more (or less) than your expected FBT liability for the year, you can vary it.

If you are not varying your instalment amount, copy the amount at F1 to 6A in the summary section of your activity statement. varying your instalment amount if you wish to vary the pre-printed amount at F1, you will need to complete F2, F3 and F4.

You may incur a penalty if your total instalments for the year, or the estimate that you base them on, are less than 90% of your actual FBT liability for the year.

F2 - ESTIMATED FBT FOR THE YEAR

Include at F2 your estimate of your total FBT liability for the FBT year ending 31 March.

F3 - VARIED AMOUNT FOR THE QUARTER

Work out the amount of your varied FBT instalment for the quarter using the following formula:

(amount at **F2 x** relevant percentage)

Less-

(previous instalment liabilities Less any previous credits claimed)

The FBT year is from 1 April to 31 March. The relevant percentage depends on the quarter of the FBT year in which you are varying the instalment amount:

- 25% for the quarter ended 30 June
- 50% for the quarter ended 30 September
- 75% for the quarter ended 31 December, and
- 100% for the quarter ended 31 March.

The first part of the formula gives an estimate of the year-to-date amount. The second part of the formula then takes into account the FBT we've already charged you, less any credit you have already claimed in a previous variation. if the formula gives a positive number, write the number at F3.

If the result is zero or a negative number, write '0' at F3. The negative number is recorded at 6B in the 'summary' section if you want to claim a credit of the F BT against other amounts payable (see example on page 5). Don't show a minus sign at 6B.

Reason code for variation

If you've varied your FBT instalment amount, you must tell us why. Choose the reason from the table below, and write the corresponding code at **F4**.

Current business structure not continuing	22
Change in fringe benefits for employees	30
Change in employees with fringe benefits	31
Fringe benefits rebate now claimed	32

6A - FBT instalment

If you are using the FBT instalment amount pre-printed at F1, copy this amount to 6A. If you've varied your FBT instalment amount for the quarter, copy the FBT instalment amount you wrote at F3 to 6A.

6B - Credit from FBT instalment variation

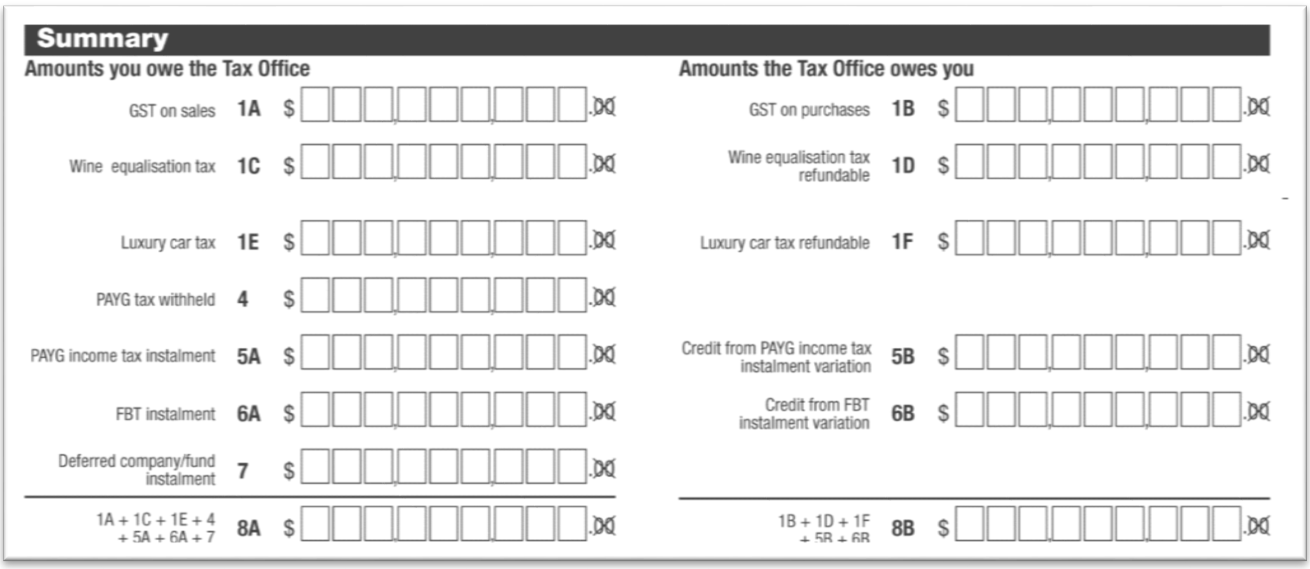
If you vary your estimated FBT for the year to an amount lower than the FBT you had to pay last year, you may get an FBT instalment credit. You should take this credit into account when working out any amount payable. the credit is only available where the calculation of the F3 amount gives a

negative amount.

Example: Varying Your FBT Instalment

In the quarter ending 31 December, the amount of $10,000 is pre-printed on your activity statement at F1.

This results in a notional FBT amount of $40,000 for the year (that is, $10,000 x four quarters).



Summary

Amounts you owe the Tax Office			Amounts the Tax Office owes you		
GST on sales	1A	$ .00	GST on purchases	1B	$ .00
Wine equalisation tax	1C	$ .00	Wine equalisation tax refundable	1D	$ .00
Luxury car tax	1E	$ .00	Luxury car tax refundable	1F	$ .00
PAYG tax withheld	4	$ .00			
PAYG income tax instalment	5A	$ .00	Credit from PAYG income tax instalment variation	5B	$ .00
FBT instalment	6A	$ .00	Credit from FBT instalment variation	6B	$ .00
Deferred company/fund instalment	7	$ .00			
1A + 1C + 1E + 4 + 5A + 6A + 7	8A	$ .00	1B + 1D + 1F + 5B + 6B	8B	$ .00

Step 1

You estimate that your FBT liability for this year will reduce to $28,000 as several employees have left and will not be replaced.

Step 2

Write your estimated annual FBT amount of 28,000 at F2.

Step 3

As this is the quarter ending 31 December, the relevant percentage is 75%. use the formula:

(F2 amount x 75%) – (previous instalments liabilities – any previous credits claimed)

($28,000 x 75%) – ($20,000 – 0)

= $21,000 – $20,000

= $1,000.

Write the figure of 1,000 at F3 on the activity statement, and then copy it to 6A in the summary section of your activity statement.

The previous FBT instalments for quarters one and two total $20,000. You have not varied your FBT earlier in this FBT year.

Step 4

To advise the ATO of your reason for varying, choose the reason code from the list below which is closest to your circumstances. write this code at F4.

In this example, the best choice is ‘change in employees with fringe benefits’. Code

`

Fringe benefits tax (FBT) instalment

F1 $ 10,000

Write the F1 amount at 6A in the Summary section below OR if varying this amount, complete F2, F3, F4

Estimated FBT for the year F2 $ 2 8 0 0 0 .~~00~~

Varied amount for the quarter F3 $ 1 0 0 0 .~~00~~

Write the F3 amount at 6A in the Summary section below

Reason code for variation F4 3 1

FBT instalment 6A $ 1 0 .~~00~~ 0 0

`

Chapter 6

6. Wine Equalisation Tax & Luxury Car Tax

WINE EQUALISATION TAX

WET is a value-based tax on wine consumed in Australia. WET applies at 29% of the value of the wine at the last wholesale sale (before adding GST).

If you report and pay GST using a pre-printed instalment amount (option 3 on the activity statement), don't complete the WET section of your activity statement. The ATO will include your WET in this amount. You'll still need to report WET payable (1C) and WET refundable (1D) when lodging your *Annual GST return*. This is due at the same time as your income tax return.

If you report and pay GST annually you are not required to report WET on monthly or quarterly activity statements, however you must report.

WET only applies to certain types of products that have an alcohol content of over 1.15%, specifically grape wine, grape wine products, fruit or vegetable wine, cider, perry, mead and sake. WET applies to both bulk and packaged wine.

WET is generally paid by wine producers, wholesalers or importers, rather than retailers. If you're a retailer, WET is usually already included in the price you pay for these products. In other words, WET forms part of your cost base and is passed on to your customers in the retail price of the product. Transactions that attract WET are known as 'assessable dealings'.

WET is calculated on products sold during assessable dealings at 29% of the wholesale value of the product or an equivalent value when there is no wholesale sale.

Some wine supplies may be exempt from WET. For example, if you intend to make a further wholesale sale of wine, you can legally defer paying WET by quoting your Australian business number (ABN) when you buy the wine. And if your dealing is GST-free, you generally don't have to pay WET.

Under certain circumstances you may be eligible for a credit of WET, for example where you incorrectly calculated WET payable, or to avoid wine being taxed twice. If you're a wine producer, you may be entitled to claim the wine producer rebate.

Example:
A winery makes a $1,000 wholesale sale of wine. Calculate the WET and GST.

Wine Sale (wholesale)	1,000
WET	290
GST (10% of 1,000 + 290)	129
Total including tax	1,419

`

Luxury Car Tax

LCT is a tax of 33% imposed on the GST-inclusive value of luxury cars over the relevant LCT threshold. You generally pay LCT when you sell or import a luxury car. You pay LCT as well as any GST payable.

Special refunds may be available for some primary producers and tourism operators for luxury cars they buy –

LCT threshold

The LCT thresholds for the 2016–17 financial year are:

- $75,526 for fuel-efficient cars
- $65,094 for other cars.

These thresholds are different to the car limit (The car limit for the 2017-18 financial year is $57,581) which is used to work out depreciation deductions for income tax.

If you buy a car with a GST-inclusive value above these LCT thresholds, you must pay LCT. In general, the value of a car includes the value of any parts, accessories or attachments you supplied, or imported at the same time as the car.

What is a luxury car?

A luxury car is a car with a GST-inclusive value above the LCT threshold. Under LCT law, a car is a motor-powered road vehicle that is designed to carry the following:

- a load of less than two tonnes
- fewer than nine passengers.

It includes:

- passenger cars
- station wagons
- four-wheel drive vehicles
- limousines – regardless of the number of passengers they are designed to carry.

The term ‘car’ does **not** include:

- trucks and vans designed to carry a load of more than two tonnes
- vehicles, such as buses, designed to carry nine or more passengers
- motorcycles or similar vehicles
- racing and rally cars that are not road vehicles and cannot be registered for use on public roads in any country in the world – these racing or rally cars are designed for use only on rally or racing circuits.

Fuel-efficient cars

The fuel-efficient car limit for a fuel-efficient car is $75,526 for the 2017–18 financial year and applies to **either** of the following:

- the year that the supply of the car occurred
- the date when the car was entered for home consumption.

Fuel-efficient cars with a GST-inclusive value below $75,526 are not considered luxury cars.

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Working out your vehicle's load

To work out the load your vehicle can carry, you need to know the tare mass and the gross vehicle mass (GVM).

The tare mass is the mass of your vehicle:

- when it is empty
- with less than ten litres of fuel and other fluids in it
- with all standard equipment and any options fitted.

The GVM is what the manufacturer says is the maximum mass of your vehicle.

To work out the load your vehicle can carry, subtract the tare mass from the GVM.

Who is liable for LCT?

You must pay LCT if **both** of the following apply:

- you are registered, or required to be registered, for GST
- you sell a luxury car.

This includes retailers, wholesalers, and manufacturers of cars and any business that sells a luxury car.

If you import luxury cars, even if you are a private buyer, you may also have to pay LCT – see Importing luxury cars.

The rate of LCT that applies to you can vary depending on any of the following:

- when your car was ordered
- when your car was delivered
- the type of car – for example, whether it is fuel efficient
- whether you are a primary producer or tourism operator.

Chapter 7

7. Fuel Tax Credits

Fuel Tax Credits

Fuel tax credits provide you with a credit for the fuel tax (excise or customs duty) included in the price of fuel you use for your business activities in:

- machinery
- plant
- equipment
- heavy vehicles.

You may also be entitled to a fuel tax credit for non-transport gaseous fuels that have been subject to the carbon pricing mechanism and used in specified agriculture, fishing or forestry activities.

The only fuels that are not eligible are:

- aviation fuels (aviation gasoline and aviation kerosene) – unless you have been declared by the Clean Energy Regulator as a designated opt-in person under the opt-in scheme
- fuels you use in light vehicles of 4.5 tonne gross vehicle mass (GVM) or less, travelling on a public road
- fuel you acquired but did not use because it was lost, stolen or otherwise disposed of
- some alternative fuels, such as ethanol or biodiesel, that have already received another grant or subsidy.

You must be registered for both GST and fuel tax credits before you can make a claim. You claim fuel tax credits on your business activity statement (BAS).

Depending on your circumstances, you may also need to meet an environmental criterion for heavy diesel vehicles if they were manufactured before 1 January 1996

Liquid fuels

Liquid fuels are petrol, diesel and other combustible fossil fuels such as kerosene, mineral turpentine, white spirit, toluene, heating oil and some solvents.

Table 1: Rates for fuel acquired from 1 August 2017 to 31 January 2018

Eligible fuel type	Unit	Used in heavy vehicles for travelling on public roads	All other business uses (including to power auxiliary equipment of a heavy vehicle)[1]
Liquid fuels, for example diesel or petrol	cents per litre	14.5	40.3
Blended fuels: B5, B20, E10	cents per litre	14.5	40.3
Liquefied petroleum gas (LPG) (duty paid)	cents per litre	0.0	13.2
Liquefied natural gas (LNG) or compressed natural gas (CNG) (duty paid)	cents per kilogram	0.0	27.6
Blended fuel: E85	cents per litre	0.0	10.55
B100	cents per litre	0.0	2.7

Note: [1] Claims for packaging or supplying fuels can use the 'all other business uses' rate for the appropriate eligible fuel type.

Table 2: Rates for fuel acquired from 1 July 2017 to 31 July 2017

Eligible fuel type	Unit	Used in heavy vehicles for travelling on public roads	All other business uses (including to power auxiliary equipment of a heavy vehicle)[2]
Liquid fuels, for example diesel or petrol	cents per litre	14.3	40.1
Blended fuels: B5, B20, E10	cents per litre	14.3	40.1
Liquefied petroleum gas (LPG) (duty paid)	cents per litre	0.0	13.1
Liquefied natural gas (LNG) or compressed natural gas (CNG) (duty paid)	cents per kilogram	0.0	27.4
Blended fuel: E85	cents per litre	0.0	10.52
B100	cents per litre	0.0	2.7

Note: [2] Claims for packaging or supplying fuels can use the 'all other business uses' rate for the appropriate eligible fuel type.

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Chapter 8

8. BAS Electronic Lodgement

The choices for electronic lodgement are:

- You can lodge your own activity statement online through the Business Portal.
- If you want to lodge multiple activity statements on behalf of others, you will need to use the electronic commerce interface (ECI).
- directly from your Standard Business Reporting (SBR) enabled software
- Your tax agent can electronically lodge your activity statements on your behalf.
- By phone : If you have nothing to report, you can lodge your BAS over the phone by calling 13 72 26.
- By Mail

You can lodge and revise most types of activity statements through the Business Portal and you'll receive instant confirmation by receipt that your activity statement has been lodged. You can also view, print and list previously lodged statements.

Requirements

You will need:

- an Australian business number (ABN)
- a free Auskey
- Internet access

Accessing this online service

The Business Portal is a secure website and to access it you will need to register for a free Auskey. Once you have installed your certificate, you are ready to access the Business Portal and lodge your activity statement.

To register for an Administrator AUSkey you need to be recorded on an Australian business number (ABN) in the Australian Business Register (ABR) as one of the associates listed below.

- Trustee
- Public Officer
- Director
- Partner Office Bearer of a club/association
- Individuals/Sole traders can also use the online registration to register for an Administrator AUSkey.
- If you are not an eligible associate, an Administrator AUSkey user will need to register you.

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Lodging your activity statement

Once you lodge your activity statement online, the ATO will no longer post activity statements to you. All future activity statements can be accessed via the Business Portal. You'll receive notification by email that your activity statement is available to access and complete online.

Two week deferral offer

The two-week deferral offer is ongoing and is subject to these terms and conditions:

This offer applies to most activity statements for the **standard quarters** ending 30 September, 31 March and 30 June which have an original due date of 28th of the month following the end of the quarter - that is, quarters 1, 3 and 4. (Quarter 2 activity statement lodgers already have eight weeks to lodge.)

This offer does not apply to:

- monthly activity statements
- monthly GST payers with quarterly pay as you go (PAYG) instalments (or other quarterly roles). This includes businesses that are required to report on a monthly basis, and those who have elected to report on a monthly basis
- monthly PAYG withholding payers, including those with a quarterly role (for example, PAYG income tax instalments), who lodge on the 28th
- quarterly PAYG instalments for head companies of consolidated groups
- entities with substituted accounting periods that are classified as a large business client (see note below)
- any other clients who do not have an original due date of the 28th, and
- quarterly instalment notices – for example, forms R (Quarterly PAYG instalment Notice), S (Quarterly GST instalment Notice) and T (Quarterly GST & PAYG instalment Notice)

The ATO website has a great online demonstration of the usage of the portal.

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Chapter 9

9. The Tax Agent Services Act (TASA)

The Tax Practitioners Board

The Tax Practitioners Board (TPB) is a national body responsible for the registration and regulation of tax agents, BAS agents and tax (financial) advisers (collectively referred to as 'tax practitioners'). The TPB is also responsible for ensuring compliance with the Tax Agent Services Act 2009 (TASA), including the Code of Professional Conduct (Code).

Much of the work that is under taken as a Payroll Officer comes falls under the heading of a “BAS Service” and as such the Tax Agent Services Act (including the Code of Professional Conduct) may apply.

What is a BAS Service

BAS service is defined in the Tax Agent Services Act 2009 (TASA) as:

- working out or advising about the liabilities, obligations or entitlements of a client under a BAS provision; or
- representing a client in their dealings with the Commissioner of Taxation in relation to a BAS provision; and
- where it is reasonable to expect a client will rely on the service to satisfy liabilities or obligations or to claim entitlements under a BAS provision.

The term ‘BAS provision’ is defined in Income Tax Assessment Act 1997 as:

- Part VII (collection and recovery only) of the Fringe Benefits Tax Assessment Act 1986
- the indirect tax laws, including
- the goods and services tax (GST) law
- the wine tax law
- the luxury car tax law
- the fuel tax law, and
- Parts 2-5 and 2-10 in schedule 1 of the Tax Administration Act 1953, which are about the pay as you go (PAYG) system.

This has been extended to:

- superannuation guarantee and superannuation guarantee charge services
- superannuation contribution payments and reporting, and
- taxable payments reporting.

You must not charge or receive a fee or other reward, if you provide a service which you know or should reasonably know is a BAS service and you are not a registered tax or BAS agent. If you do, you may be subject to a civil penalty for providing BAS services while unregistered.

For detailed information about the meaning of BAS service, refer to section 90-10 of the TASA.

Registration

Requirements for registration:

- You must be at least 18 years of age to be eligible to apply.
- You must be a fit and proper person.
- You must satisfy the qualification and experience requirements.
- You must maintain, or will be able to maintain, professional indemnity insurance cover that meets our requirements.
- Complete an online application and provide supporting documents.

Note: There is registration exemptions listed on the TPB website.

Effect of Registration

If you register with the TPB there are extra obligations imposed on you. These obligations include:

- An annual declaration to demonstrate they are meeting their obligations as a registered tax practitioner.
- Under the Tax Agent Services Act 2009 (TASA), you must notify the TPB of certain changes in details or circumstances.
- You must maintain or be able to maintain professional indemnity (PI) insurance that meets the TPB requirements.
- You must be a fit and proper person.
- You must abide by The Code of Professional Conduct (Code) that regulates the personal and professional conduct of all registered tax agents, BAS agents and tax (financial) advisers.

Comply with the CPE requirements. This will also assist you to maintain knowledge and skills relevant to the tax agent, BAS or tax (financial) advice services you provide, which is one of your obligations under the Code of Professional Conduct.

Chapter 10

10. Correcting BAS Errors

Options for correcting an error

If you made a GST error on an earlier activity statement, you can choose to correct that error on a later activity statement if you meet the certain conditions.

The benefits of correcting GST errors on a later activity statement are:

- you are not liable to any penalties or general interest charge (GIC) for any GST error you correct on a later activity statement provided you meet the conditions to correct a GST error on a later activity statement
- generally, it is easier to correct a GST error on a later activity statement rather than revising the earlier activity statement.

Alternatively, you can correct any GST error by revising the earlier activity statement that contains the error. You can revise an earlier activity statement online or obtain an activity statement revision form by phoning the ATO on 13 28 66.

A GST error is a mistake you made in working out your GST net amount on your activity statement that would, if it was the only mistake that you made, result in you reporting or paying too much GST (credit error) or reporting or paying too little GST (debit error).

The error must relate to an amount of GST, GST credit or GST adjustment. A GST error does not include an error that relates to an amount of fuel tax credit, wine equalisation tax, or luxury car tax.

The GST error is the amount of GST, GST credit or GST adjustment and not the gross or GST-inclusive price of the transaction.

Example 1: GST error only relates to the GST, GST credit or GST adjustment

In working out the GST net amount for the monthly reporting period ending 30 June 2013, Bronlynn inadvertently reported GST payable of $1,000 on a taxable sale, instead of $100. That is, the price of the taxable sale was $1,100 (GST-inclusive). The GST error is the overpaid GST (that is, $900), not the price of the taxable sales (that is, $1,100).

Types of GST errors

There are two types of GST errors you can make – a credit error or debit error.

CREDIT ERROR

You make a credit error if you make a GST error in working out your net amount for a reporting period that would, if it was the only mistake in the reporting period, have resulted in you reporting or paying too much GST. Examples of credit errors include:

- reporting a GST sale twice
- overstating the GST on sales (for example, reporting the GST on sales as $10,800 rather than the correct amount of $10,000)
- under-claiming a GST credit for your purchases
- omitting or understating a decreasing GST adjustment or overstating an increasing GST adjustment.

DEBIT ERROR

You make a debit error if you make a GST error in working out your net amount for a reporting period that would, if it was the only mistake in the reporting period, have resulted in you reporting or paying too little GST. Examples of debit errors include:

- failing to include GST on a taxable sale
- understating the GST on sales (for example, reporting the GST on sales as $1,000 rather than the correct amount of $10,000)
- overstating GST credits (for example, claiming GST credits for a purchase twice)
- omitting or understating an increasing GST adjustment or overstating a decreasing GST adjustment.

Credit error time limit

If the GST error occurred on or after 1 July 2012

If you made a credit error on an activity statement for a reporting period that starts on or after 1 July 2012, you can correct the GST error on a later activity statement that starts within the four year period of review of the assessed GST net amount for the earlier reporting period that contains the GST error.

The period of review starts on the day we give you a notice of assessment and ends four years from the day after the notice of assessment is given. An assessment of your GST net amount is generally made on the day you lodge your activity statement. The activity statement is taken to be the notice of assessment given on the same day.

Example 3: Four year period of review

ABC Ltd, a monthly lodger, made a GST error in the September 2013 reporting period that resulted in an overstatement of its assessed net amount for that reporting period. As that activity statement was lodged and the net amount assessed on 1 October 2013, ABC Ltd can correct that GST error on an activity statement for a reporting period that starts between 1 October 2013 and 2 October 2017.

If the GST error occurred before 1 July 2012

If you made a credit error on an activity statement for a reporting period that started before 1 July 2012, you can correct the GST error on a later activity statement if either of the following occurs:

- the GST net amount for the reporting period in which the error was made did not cease to be payable
- you have an entitlement to an outstanding GST refund for that reporting period that has not expired.
- The GST net amount for the reporting period generally ceases to be payable four years after it became payable by you.

Your entitlement to a GST refund expires four years from the end of the reporting period to which the refund relates unless either of the following occurs:

- you notify ATO of the entitlement to the refund during the four year period
- ATO notify you of your entitlement to the refund during the four year period.

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Chapter 11

11. LIST OF DEFINITIONS

Activity statement

You use an activity statement to report your business tax entitlements and obligations, including GST, pay as you go instalments, pay as you go withholding and fringe benefit tax instalments. You can offset tax payable against tax credits to arrive at a net amount.

Annual turnover thresholds

Annual turnover thresholds are used to work out whether you:

- are required to be registered for GST
- report monthly or quarterly
- can elect to account on a cash basis
- must lodge GST returns or pay GST electronically, and
- can elect to pay GST by instalments.

Australian business number

Your Australian business number (ABN) is your identifier for dealings with the ATO and with other government departments and agencies.

Business asset

A business asset is a thing you use for purposes of your business, for example, manufacturing equipment, a delivery van or an office computer. Intangible items, such as goodwill may also be business assets. You generally incur a GST liability when you sell a business asset.

Consideration

Consideration for GST purposes is anything you receive for providing goods, services or any other sale. It is usually money, but can be some other form of payment, such as goods or services provided instead of money, for example, as in barter transactions. Consideration may also be made by way of refraining from doing something.

Enterprise

An enterprise includes a business. It also includes other commercial activities but doesn't include:

- private recreational pursuits and hobbies
- activities carried on as an employee, labour hire worker, director or office holder, or
- activities carried on by individuals (other than trustees of charitable funds) or partnerships (in which all or most of the partners are individuals) without a reasonable expectation of profit.

It includes the activities of entities such as charities, deductible gift recipients, religious and government organisations, and certain non-profit organisations.

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Financial acquisitions threshold

If you make financial sales without exceeding the financial acquisitions threshold (for example, your total sales include only a small amount of financial sales), and you have a tax invoice, you can claim GST credits for your taxable purchases that relate to making those financial sales. For more information see *Goods Services Tax Ruling GSTR 2003/9 Goods and services tax: financial acquisitions threshold*

Financial sales (supplies)

Financial sales include things like loans, shares, customer credit, debt and credit in hire purchase agreements. You don't include GST in the price of financial sales that you make, but you are generally not entitled to GST credits for things you have purchased or imported that relate to making those sales. However, you may be able to claim a credit for a purchase that relates to a financial sale you don't exceed the financial acquisitions threshold.

GST-free sales

You don't include GST in the price of GST-free sales that you make, but you are entitled to GST credits for things you have purchased or imported for use in your business. Some examples of GST-free sales include basic food, exports, sewerage and water, the sale of a business as a going concern, non-commercial activities of charities, and most education and health services.

GST (input tax) credit

You are entitled to a GST credit for the GST included in the price purchases or importations you make for use in your business. But you are not entitled to a credit to the extent you use the purchase or importation for private purposes or, in many cases, to make input taxed sales. You'll need to have a tax invoice to claim a GST credit (except for purchases with a GST-exclusive value of $50 or less, although you should have some documentary evidence to support these claims).

Input taxed sales

You don't include GST in the price of input taxed sales you make, and are not entitled to GST credits for things you have purchased or imported that relate to making those input taxed sales. In some cases you may be entitled to claim reduced GST credits. Some examples of input taxed sales include most financial supplies and supplies of residential rent and residential premises.

Luxury car

A luxury car is a car with a GST-inclusive value that exceeds the luxury car tax threshold. These cars are subject to luxury car tax on the threshold excess, in addition to GST. Some vehicles are excluded from luxury car tax, including:

- certain emergency vehicles
- certain vehicles fitted out for transporting disabled people
- certain commercial vehicles, and
- a motor home or campervan.

Margin scheme
You can choose to use the margin scheme when you make a taxable sale of real property. GST to be paid is 1/11 of the margin for the sale and not the normal 1/11 of the sale price. However, you cannot use the margin scheme if you purchased the property through a taxable sale where the GST was worked out without applying the margin scheme.

Purchases (acquisitions)
For GST, a purchase or acquisition includes an acquisition of goods or services such as trading stock, a lease, consumables and other things (including importations).

Real property
Real property includes:

- an interest or right over land
- a personal right to call for or be granted any interest in or right over land, or
- a license to occupy land or any other contractual right exercisable over or in relation to land.

Reduced credit acquisitions
Reduced credit acquisitions are purchases (acquisitions) of certain types of things that relate to making input taxed financial sales (supplies). You can claim a reduced GST credit on reduced credit acquisitions.

Sale of a business as a going concern
This is where:

- all of the things required for the continued operation of the enterprise are supplied to the buyer, and
- the supplier must carry on the enterprise until it is sold.

Sales (supplies)
For GST, a sale or supply includes a sale of goods or services, a lease of premises, hire of equipment, giving of advice, export of goods, and the supply of other things.

Taxable sales (supplies)
This term is widely defined to include most sales (goods, services and anything else) you make in your business. A sale is not a taxable sale if it is GST-free, input taxed or otherwise non-taxable.

Tax invoice
A tax invoice is a document generally issued by the seller. It shows the price of a sale, indicating whether it includes GST, and may show the amount of GST. It must show other information, including the Australian business number of the seller. You must have a tax invoice before you can claim a GST credit on your activity statement for purchases of more than $50 (excluding GST).

Tax period
A tax period is the length of time for accounting for GST on your activity statement. It may be quarterly or monthly. Quarterly tax periods are periods of three months ending on 30 September, 31 December, 31 March and 30 June. Monthly tax periods end on the last day of each calendar month. An activity statement must be lodged for each tax period.