

5 The Goods and Services Tax

Question 1

A business must be registered with the Australian Taxation Office before it can charge GST.

True

Question 2

A business with sales of \$95,000 or more per year must be registered to collect GST.

False

Question 3

An Australian Business Number is an 11 digit number that is issued to a business and helps the Australian Taxation Office ensure that the business pays the correct amount of tax. An ABN is issued to all businesses that have registered to collect GST.

True

Question 4

GST is charged on all products that are sold in Australia.

False

Question 5

GST is charged at the rate of 15% on the selling price of a product.

False

Question 6

GST is also charged on products imported into Australia but not on products exported from Australia.

True

Question 7*Transaction A*

b a GST input tax credit

Transaction B

a GST payable

Transaction C

a \$50 GST payable – \$30 GST input tax credit = \$20

Question 8

Product	GST is charged on the sale of this product	GST exempt (No GST charged)
Fresh fruit, such as, apples		✓
A computer	✓	
The delivery of a parcel	✓	
A medical service		✓
A motor vehicle	✓	
Clothes	✓	
A telephone service	✓	
A child minding service		✓
A camera	✓	
Electricity	✓	
The repair of a tap	✓	
Shoes to be exported		✓

Question 9

Macro Computers

Transaction A

Sold a computer to a customer in Perth for \$2,000 cash.

1	Is this a business activity?	Y	N
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2	Has the business received consideration (something of value)?	Y	N
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3	Is the transaction connected to Australia?	Y	N
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4	Is the product exempt from GST?	Y	N
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Conclusion

Should 10% GST be added to this transaction?	Y	N
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Transaction B

Donated a computer to Como Secondary College valued at \$900.

2	Has the business received consideration (something of value)?	Y	N
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Conclusion

Should 10% GST be added to this transaction?	Y	N
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Question 9 continued

Macro Computers

Transaction C

Sold a computer to a business in New Zealand for \$6,000 cash.

1	Is this a business activity?	Y	N
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2	Has the business received consideration (something of value)?	Y	N
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3	Is the transaction connected to Australia?	Y	N
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4	Is the product exempt from GST? (exports are exempt)	Y	N
---	--	---	---

Conclusion

Should 10% GST be added to this transaction?	Y	N
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Transaction D

Sold a printer to a customer in Mandurah for \$100.

1	Is this a business activity?	Y	N
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2	Has the business received consideration (something of value)?	Y	N
---	---	---	---

3	Is the transaction connected to Australia?	Y	N
---	--	---	---

4	Is the product exempt from GST? (exports are exempt)	Y	N
---	--	---	---

Conclusion

Should 10% GST be added to this transaction?	Y	N
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Question 10

Tie Man

Transaction A

Sold ties to Man Reborn, a clothing store in Bunbury for \$300 cash.

1	Is this a business activity?	Y	N
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2	Has the business received consideration (something of value)?	Y	N
---	---	----------	----------

3	Is the transaction connected to Australia?	Y	N
---	--	----------	----------

4	Is the product exempt from GST?	Y	N
---	---------------------------------	----------	----------

Conclusion

Should 10% GST be added to this transaction?	Y	N
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Transaction B

Donated ties valued at \$200 to a high school. The school will sell these ties to raise money for school equipment.

2	Has the business received consideration (something of value)?	Y	N
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Conclusion

Should 10% GST be added to this transaction?	Y	N
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Question 10 continued
Tie Man

Transaction C

Sold ties to a customer in the United States for \$1,600.

1	Is this a business activity?	Y	N
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2	Has the business received consideration (something of value)?	Y	N
---	---	---	---

3	Is the transaction connected to Australia?	Y	N
---	--	---	---

4	Is the product exempt from GST? (exports are exempt)	Y	N
---	--	---	---

Conclusion

Should 10% GST be added to this transaction?	Y	N
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Transaction D

Sold ties to a customer in Perth for \$300.

1	Is this a business activity?	Y	N
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2	Has the business received consideration (something of value)?	Y	N
---	---	---	---

3	Is the transaction connected to Australia?	Y	N
---	--	---	---

4	Is the product exempt from GST? (exports are exempt)	Y	N
---	--	---	---

Conclusion

Should 10% GST be added to this transaction?	Y	N
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Question 11

Books Galore

Transaction A

Sold textbooks to Albany Senior High School \$600.

1	Is this a business activity?	Y	N
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2	Has the business received consideration (something of value)?	Y	N
---	---	----------	----------

3	Is the transaction connected to Australia?	Y	N
---	--	----------	----------

4	Is the product exempt from GST?	Y	N
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Conclusion

Should 10% GST be added to this transaction?	Y	N
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Transaction B

Sold books to a customer in England \$800.

1	Is this a business activity?	Y	N
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2	Has the business received consideration (something of value)?	Y	N
---	---	----------	----------

3	Is the transaction connected to Australia?	Y	N
---	--	----------	----------

4	Is the product exempt from GST?	Y	N
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Conclusion

Should 10% GST be added to this transaction?	Y	N
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Question 11 continued
Books Galore

Transaction C

Sold textbooks to a customer in Geraldton for \$700.

1	Is this a business activity?	Y	N
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2	Has the business received consideration (something of value)?	Y	N
---	---	----------	----------

3	Is the transaction connected to Australia?	Y	N
---	--	----------	----------

4	Is the product exempt from GST? (exports are exempt)	Y	N
---	--	----------	----------

Conclusion

Should 10% GST be added to this transaction?	Y	N
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Transaction D

Donated books to a charity, Good Samaritan Industries, valued at \$300

2	Has the business received consideration (something of value)?	Y	N
---	---	----------	----------

Conclusion

Should 10% GST be added to this transaction?	Y	N
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Question 12**ACCRUAL Method**

Kalgoorlie Traders
GST to be paid to the ATO
for the month of April 2019

GST Payable

GST charged on tax invoice issued	\$40	
GST received from cash sale	79	
GST charged on tax invoice sent (issued)	26	
GST received from cash sale	71	216

*Less***GST Input Tax Credits**

GST charged on tax invoice received	50	
GST on telephone	13	
GST on cash purchase of inventory	10	73

GST to be paid to the ATO**\$143****Question 13****ACCRUAL Method**

Book Universe
GST to be paid to the ATO
for the month of November 2026

GST Payable

GST charged on tax invoice issued	88	
GST received from cash sale	73	161

*Less***GST Input Tax Credits**

GST charged on tax invoice received	67	
GST paid on cash purchase of inventory	50	
GST charged on electricity	10	
GST paid on credit purchase of office furniture	20	147

GST to be paid to the ATO**\$14**

Question 14**ACCRUAL Method**

Phone Talk
GST to be paid to the ATO
for the month of July 2022

GST Payable

GST on cash sale of inventory	90	
GST on credit sale of inventory	50	140

*Less***GST Input Tax Credits**

GST on repair of motor vehicle	19	
GST paid on cash purchase of inventory	32	
GST on airline ticket	34	
GST on office equipment	22	107

GST to be paid to the ATO**\$33****Question 15****ACCRUAL Method**

Toy Land
GST to be paid to the ATO
for the month of June 2024

GST Payable

GST on cash sale of inventory	27	
GST on tax invoice to customer	32	
GST on tax invoice to customer	41	100

*Less***GST Input Tax Credits**

GST charged on telephone	34	
GST charged on plumbing service	15	
GST charged on inventory	90	139

GST refund from ATO**\$39**

Question 16**ACCRUAL Method**

Cheap Furniture Removals
GST to be paid to the ATO
for the month of March 2021

GST Payable

GST on tax invoice sent to customer	70	
GST on cash fee	11	
GST on tax invoice sent to customer	53	
GST on cash fee	6	140

*Less***GST Input Tax Credits**

GST charged on electricity	24	
GST charged on cash purchase of stationery	31	55

GST to be paid to ATO**\$85****Question 17****ACCRUAL Method**

Camera World
GST to be paid to the ATO
for the month of March 2019

GST Payable

GST on tax invoice sent to customer	68	
GST on cash sale	80	
GST on credit sale	10	158

*Less***GST Input Tax Credits**

GST charged on electricity	20	
GST charged on purchase of inventory	40	60

GST to be paid to ATO**\$98**

Question 18**ACCRUAL Method**

Lighting House
GST to be paid to the ATO
for the month of November 2026

GST Payable

GST on tax invoice sent to customer	79	
GST on cash sales	34	113
<i>Less</i>		

GST Input Tax Credits

GST charged on purchase of inventory		53
GST to be paid to ATO		\$60

Question 19**ACCRUAL Method**

A2B Couriers
GST to be paid to the ATO
for the month of August 2025

GST Payable

GST on cash fee	10	
GST on fee charged to customer	24	
GST on cash fee	20	54
<i>Less</i>		

GST Input Tax Credits

GST charged on electricity	13	
GST charged on purchase of petrol	8	21
GST to be paid to ATO		\$33