



Monthly Information Newsletter – Tax & Super

August 2022

GST Health Check

Now that the financial year has come to a close, it's good time to check all things GST.

Registration

If you are not already registered, you may over the coming period need to register for GST if:

- your business or enterprise begins to have a GST turnover of \$75,000 or more per year (gross income from all businesses minus GST)
- your non-profit organisation begins to have a GST turnover of \$150,000 or more.

Even if you are under these thresholds, it may be advantageous to register for GST if you typically end up in a GST refund position each tax period. By registering, this will enable you to claim the GST tax credits on certain purchases rather than missing out on those credits because you are not registered. Talk with us further if you are uncertain around this.

Conversely, if your turnover drops below these thresholds or you are contemplating ceasing business, you may deregister from GST. There are certain consequences that flow from deregistering which we can run through with you.

If you are not registered for GST and therefore cannot claim GST credits on business-related purchases, you can claim the GST as a tax deduction – though this is not as profitable as claiming the credit in full if you were GST-registered.

Unclaimed GST credits

The end of financial year is a good time to check if you have missed claiming any GST credits. For example, you may have come into possession of, or found, tax invoices from prior periods which you haven't provided to us. Your entitlement to a GST credit ends four years after the due date of the earliest Activity Statement in which you could have claimed the credit.

Reporting period

If your business invariably ends up with GST refunds each tax quarter, consideration may need to be given for you to lodge monthly. This will assist cashflow by bringing forward your refunds – having them paid monthly rather than waiting three months to receive them from the ATO. We can review this with you.

Accounting method

It's an opportune time to re-evaluate whether your current method is right for your business needs. You can change your accounting method at the start of a new tax period. Unless you are eligible to operate on a cash basis, you must use the accruals method of accounting. Under the accruals method, you account for the GST collected at the earlier of when the tax invoice is issued by you or when you receive payment for a sale. For GST payments, you attribute your credits to the earlier of the tax period that you made payment, or were issued a tax invoice. Note that regardless of the tax period to which you attribute a credit, you cannot actually claim the credit unless you have a tax invoice at the time of lodging your Activity Statement.

If an entity qualifies to account on a cash basis it will:

- Claim GST credits on its business purchases in the tax period in which it pays for those purchases. If it pays only part of the cost of a business purchase in a tax period and has a valid tax invoice, it will only claim GST credits for that part of the cost in that tax period
- Account for the GST payable on its sales in the tax period in which it receives payment. If it only receives part payment for a sale in the tax period, it will account only for the part of the GST payment that relates to that part of the sale in that tax period.

The cash basis is generally more appropriate where an entity does not rely on its circulating capital or consumables to produce supplies. Such entities normally have a less complex structure than those entities more dependent on their circulating capital or consumables. On the other hand,

where an entity relies predominantly on circulating capital or consumables to produce supplies, it is appropriate that the entity adopts the accruals basis.

We can advise on whether a change would be beneficial and your business's eligibility to change.

DISCLAIMER

All information provided in this article is of a general nature only and is not personal financial or investment advice. Also, changes in legislation may occur frequently. We recommend that our formal advice be obtained before acting on the basis of this information.

Our liability may be limited by a scheme approved under Professional Standards Legislation.