



When can you claim GST credits?

When your business generates a gross annual income of \$75,000 you will be required to register and collect the Goods and Services Tax (GST) and complete a monthly, quarterly or yearly Business Activity Statement (BAS) and lodge it to the Australian Taxation Office (ATO).

A part of your obligations are to charge an additional 10% on your invoice to your customers on the goods and services you sell, which you will collect on behalf of the ATO.

Pro Tax Tip: When you collect your GST credits, it's a good idea to put them into a separate bank account so that when the time comes, you have the funds ready to send to the ATO.

What are GST credits?

GST credits are defined as the GST you have incurred as a business expense to create your goods or services. They are called Input Tax Credits. The ATO will allow you to claim back the GST credits you have incurred as part of your expenses to provide your goods or service.

How do you calculate GST Input Tax Credits?

To calculate your input tax credits, you'll need to add up the GST you have paid or are liable to pay on your business expenses which you will offset against the GST you have collected.

For example, you may have invoiced your customer \$110, which includes \$100 of your invoice plus the additional 10% GST. You'll need to set aside \$10 into a nominated bank account.

In order to provide those goods or services, you may have incurred expenses which equates to \$3 of GST. You are able to claim back the \$3 of GST paid as Input Tax Credits of \$33, so that you will only need to send \$7 to the ATO as a part of your GST obligations.

What are the GST credits I can claim?

There are certain rules when it comes to claiming GST credits. You must be able to demonstrate that you are in a business by:

- Striving to make a profit
- Keeping records on your invoicing and expenses
- Providing commercial goods or services
- Marketing and advertising
- Developing a business plan