



## ***An Introduction to Business Activity Statements for Small Businesses***

So, you're a sole trader. Or perhaps you've registered a company, but no matter what business structure you're working under, once your business earns over an annual turnover of \$75,000, you'll need to register for and start lodging your BAS with the ATO.

### **When do you register to collect GST?**

Once your business earns over \$75,000 aggregated turnover annually, you'll have 21 days to register with the ATO. Many businesses opt for the help of a tax or BAS agent when first registering. You'll need your Australian Business Number (ABN) when you register for GST.

Your GST turnover is your total income which comes from sales excluding:

- sales for which no consideration or payment has been made,
- sales that are not connected with an enterprise you run,
- input-taxed sales you make; and
- sales not connected to Australia.

You reach the GST turnover threshold if either:

- your turnover for the current month and the previous 11 months totals \$75,000 or more (\$150,000 or more for non-profit organisations)
- your total turnover for the current month and the next 11 months is likely to be \$75,000 or more

(\$150,000 or more for non-profit organisations). When you register for GST, you'll need to invoice and collect the GST, and you will also be able to claim back GST credits on purchases when you lodge your BAS.

### **What is a BAS?**

BAS stands for Business Activity Statement. This is a statement you'll need to file with the Australian Taxation Office (ATO) where you will report GST collected and GST paid on Goods and Services, Pay As You Go (PAYG) instalments, PAYG withholding tax and any other tax obligations you'll have for your business. You'll only need to lodge a BAS when you have registered for GST.

GST reporting is based on your businesses GST turnover. If your GST is less than \$10 million you generally report using a simpler BAS reporting method. If your aggregated turnover is more than \$10 million, you'll need to report using the full method.

Based on your turn over, you'll need to report your BAS monthly, quarterly or yearly. Typically, most small to medium sized businesses report four times a year, however you can opt to pay monthly if it helps keep you on top of your paperwork and you like to understand the cash position of your business.

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## What are the BAS reporting times?

Your BAS and GST reporting cycle depend on your turnover, and will be:

Reporting Date	Turnover
Monthly	if your GST turnover is \$20 million or more.
Quarterly	if your GST turnover is less than \$20 million – and the ATO has not told you that you must report monthly.
Annually	if you are voluntarily registered for GST and your GST turnover is under \$75,000 (\$150,000 for not-for-profit bodies).

If you report monthly, the BAS date is the 2nd day of the month following the end of the taxable period. For example, your October monthly BAS is due on the 21 November. The date for annual reporting is 31 October.

The key dates if you lodge quarterly are:

Quarter	Due Date
1. July, August and September	28 October
2. October, November and December	28 February
3. January, February and March	28 April
4. April, May and June	28 July

## Tax Invoices

When you collect and invoice GST, you'll need to issue a tax invoice on taxable sales of more than \$82.50 (including GST). Your GST registered customers will also need a tax invoice from you to claim a credit for the GST in the purchase price. If a customer asks for a tax invoice, you must supply one within 28 days of their request.

Tax invoices require seven pieces of information, which includes:

1. 'Tax Invoice' must be stated
2. Your identity / business name
3. Your Australian Business Number (ABN)
4. The date the Tax Invoice was issued on
5. a brief description of the items sold, including the quantity (if applicable) and the price
6. the GST amount (if any) payable – this can be shown separately or, if the GST amount is exactly one-eleventh of the total price, such as a statement which says 'Total price includes GST'
7. the GST on each GST taxable item

Tax Invoices on sales of \$1,000 or more need to show the buyers identity or ABN. If your invoice has taxable and non-taxable items that are GST free or input taxed, the amounts should clearly show which items

are taxable. In addition, the invoice should show each taxable sale, the amount of GST to be paid and the total amount paid.

## Receipts

You should be in the habit of collecting and recording all of your receipts for your business and your tax. Receipts will help you keep track of how much GST you've collected and how much you've spent on purchases. You won't need to submit your receipts when you lodge your BAS, but you should always have them or an electronic copy ready in case the ATO needs to see them. Your BAS may be used for other reasons apart from tax and you also might need to provide information about your businesses income and your employees.

You'll need to record and store your receipts for five years for the ATO. You should always keep your receipts, bank statement, invoice, payroll records and any other documentation evidence that supports your income, tax deductions or credits, not only for your tax, but to see your real cash position. It's on you to back up every item on your tax return with documentation. The best approach for your bookkeeping for your small business is to try and keep as many records as you can.

## This might include:

- Receipts
- Cash register receipts
- Cash and credit sales deposit information
- Invoices / GST invoices
- Cancelled payments or other proof of payment/ electronic funds transferred
- Credit card receipts and payments
- Bank statements
- Petty cash slips
- Accounts payable and receivable
- Payroll records
- Previous tax returns
- Any other documentary evidence that supports an item of income, deduction, or credit shown on your tax return

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Although you might not always need them to do your taxes, you should also keep the following business documents on hand:

- Any contracts you've signed (with clients, vendors, contractors, employees, etc.)
- Articles of incorporation
- Business permits
- Company health, safety, and any other regulatory documents
- Annual reports

In special circumstances you may be asked to issue a recipient-created tax invoice. This is when you, the purchaser or recipient of the goods or services, may issue a tax invoice for your purchases. This is known as a recipient-created tax invoice (RCTI).

You can issue a RCTI when you and your supplier are registered for the GST, when you both agree in writing that you have issued the RCTI and they will not raise a tax invoice, and the goods and services sold under the agreement are of the type that are determined to be invoiced using a RCTI.

## PAYG reporting

The PAYG tax instalment is a regular payment made to the ATO towards your yearly income tax liability so you don't have a large lump sum to pay at the end of the financial year. PAYG should be made for all of our employees using your Single Touch Payroll (STP) function in your accounting software.

With STP, you report your employees' payroll information, which includes their salary /wage, PAYG withholding and super each payroll period.

PAYG withholding includes:

- payments to employees, company directors and office holders
- payments made to workers under labour hire arrangements
- payments under voluntary agreements
- payments where an Australian business number (ABN) has not been quoted in relation to a supply.

## What happens if I make a mistake?

If you've made a mistake on your BAS, don't panic. Mistakes happen, but it is important to rectify it as soon as you notice. The ATO allows your Tax Accountant or registered BAS Agent to go back and amend your previously lodged BAS and make adjustments. Most adjustments can be adjusted on your next BAS.

*ITP Tax Accountants have helped Australian Individuals and Businesses with their tax and BAS requirements for 50 years. Whether you need us one day or five days a week, we tailor our service to suit your small businesses needs and will act as a liaison to the ATO for you. Should you have any questions, phone your local branch or call 1800 376 487 and speak with a consultant today.*

*ITP The Income Tax Professionals are more than tax agents. They have been helping Australian individuals and businesses with their business accounting and advice for 50 years and offer a wealth of knowledge. Speak to a Professional today and see how your business can be more profitable.*



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