



Ultimate Guide To GST For Beginners

Starting a business is an exciting time. There's a lot to do. Stock needs to be ordered, staff hired, window dressings to be designed. Magic starts to happen when your customers start buying from you and you begin to make money.

A good bookkeeping platform will set you up for success. You'll be able to see your profits and costs. As your business grows, so will your obligations to the Australian Taxation Office (ATO).

What is GST?

GST – or the Goods and Services Tax – is a tax you'll have to pay once your business earns an annual income of \$75,000. If you run a non-profit organisation, you'll need to plan and claim GST if your business earns over \$150,000 per annum. If you provide a taxi service, you'll need to claim GST straight away. If you reach any of these thresholds, you have 21 days to register to collect the GST.

How does GST work?

The GST is an extra 10% charge you need to calculate when you invoice your customers. GST is a consumer-based tax which you'll need to collect on behalf of the government. Your customers will be required to pay the GST, not your business. The money generated is used for roads, housing, public transport and dedicated to public requirements.

In order to collect the GST, you'll need to generate a tax invoice. If you make a taxable sale, your tax-registered customers need an invoice from you to claim their tax credits for purchases. It is issued when the goods are sold with the objective of resale.

Tax Invoice

A tax invoice should clearly show the price of your goods or service, as well as the calculated GST. A tax invoice may consist of the following details:

- Contains the words "Tax Invoice"
- Name, address and contact details of the seller
- Invoice Number
- Date of issue of the invoice.
- Name and Address of the buyer
- Tax Identification Number
- The quantity of goods/services
- The price per unit
- Total amount including taxes
- Tax charged for each item
- Payment details

You are legally required to issue a tax invoice for amounts over \$82.50, and on request for smaller amounts. Your tax invoice will be used by your suppliers to claim back the GST component that you have issued.

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There are legal reasons for supplying a tax invoice, which include:

- To support a registered businesses' claims on their GST credits
- To determine supplies made in a taxable time period
- To determine when the claim and account for input tax should be made based on the date of the tax invoice

Pro Tax Tip: The use of good accounting software can keep you up to date and will help in the calculation of taxes and make the invoicing process much simpler.

When do you include GST on your sales?

There are certain rules when you apply and charge the GST. Most goods and services will incur the GST charge, in which you'll pass on the 10% flat rate to your customers.

Some goods and services are GST free, and include:

- Most basic food products
- Some educational courses
- Medical products and service, and
- Health and care products and services

If your business is in these categories, you can't charge your customer GST, however when you lodge your Business Activity Statement (BAS) with the ATO you can claim your GST credits.

If you incur goods and services that do not include GST, you cannot then charge your customers. This includes:

- Financial supplies, such as lending and borrowing money and
- The sale and rental of residential premises.

You also cannot claim the GST-free credits on goods and services when you lodge your BAS.

Export products are generally GST free. You don't have to charge your overseas client, and you can claim the GST components for the GST you paid for input materials. You may still be required to pay GST in some circumstances.

Pro Tax Tip: A Tax Accountant is an accountant who has gone on to study the intricate laws of tax. If you're unsure, it's best to seek the advice of a professional to keep you out of hot water with the ATO. A Tax Agent can also liaise with the ATO on your behalf if there has been any confusion in the past and can help you sort any tax obligations out.

Claiming your GST credits

You are entitled to claim the GST you have paid on your goods and services you have used to provide your goods or services to your customer. You are entitled to claim back GST credits that:

- Have been purchased for your business and to carry on your business
- Have the GST included in the purchase price
- You have paid for the item already and incurred the cost
- You have received a tax invoice from your supplier

You claim your GST credits through your BAS statement.

How do you lodge a BAS Statement?

Your BAS statement is a form that will be sent to you by the ATO, in which you will have to state how much GST you have collected and how much you have paid. You will need to use this form to claim back your GST credits and to work out how much GST you'll need to pass on to the ATO, as well as other obligations such as Pay-As-You-Go (PAYG), Fringe Benefits Tax (FBT), Luxury Car Tax (LCT), Wine Equalisation Tax (WET) and claim your fuel tax credits.

Depending on how much money your business generates, you'll need to pay your BAS monthly, quarterly or yearly.

Rate	Turnover
Monthly	If your GST turnover is \$20 million or more
Quarterly	If your GST turnover is less than \$20 million
Yearly	If you are voluntarily registered for GST and your GST turnover is under \$75,000 (\$150,000 for non profit bodies)

The due dates for each quarter are as follows:

Quarter	Due Date
July, August and September	28 October
October, November and December	28 February
January, February and March	28 April
April, May and June	28 July

How do you register for GST?

To register to collect GST, you will need your Australian Business Number (ABN). You can register for GST at the same time you apply for an ABN. However, if you're registering as a company, then you'll need an Australian Company Number (ACN) before applying for your ABN.

This can be done online through the Australian Taxation Office's website or the Australian Government Business Registration Service, over the phone or through a tax agent.

Many new business owners prefer to use a tax agent to register their business to keep things running smoothly. Your tax agent will advise any missing information and fill out all necessary forms without mistakes.

Pro Tax Tip: Paying your BAS and GST obligations can run more smoothly with expert help. It often pays to hire a bookkeeping service to keep the financial side of your business organised. A good bookkeeper will also advise any red flags that come up and will know what to do to iron them out. A bookkeeping service is a business cost, of which you'll be able to claim on your expenses come tax time.

ITP The Income Tax Professionals are experienced bookkeepers who can help report your obligations. Whether you need us one day or five days a week, our services are flexible. Speak to a Professional for advice your BAS and GST obligations.

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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