THE INCOME TAX PROFESSIONALS

What Are The Common Import/Export GST Mistakes

If you are an importer or exporter of Australian goods, it pays to know your GST obligations. There are common errors made which impact on tax paid and claimed back when it comes to the Goods and Services Tax (GST). Reporting and claiming errors could be costing your business, with most mistakes being made by small to medium business in Australia.

Common GST mistakes

The ATO has outlined some common errors it has found in relation to GST on imports and exports, which include:

- incorrectly accounting for the on-sale of imported goods;
- GST liability for installing and assembling imported goods;
- incorrectly classifying exports;
- incorrectly classifying supplies of services as not connected with Australia;
- incorrect reporting non-resident refunds; and
- on-residents and non-deductible expenses.

Incorrectly Accounting for the On-Sale of Imported Goods

Businesses are required to report the GST on goods and services sold, and are able to claim back GST credits when a Business Activity Statement (BAS) form is lodged on the items bought to produce the good or service, even if they have paid GST upon importation. If a business earns an income of over $75,000, even when exporting to Australia, it must register for GST. Many importing company fail to register and do not claim back the GST credits they are entitled to claim.

GST Liability for Installing and Assembling Imported Goods

The importer is responsible for the GST on imported goods and on-sale. If a business buys these goods, they incur a GST liability to account for the GST even if they are not the importer. The items are taxable and must be lodged with on a BAS form.

Incorrectly Classifying Exports

It is important to understand how goods are exported out of Australia and the international commercial (Inco) delivery terms that apply. Taxpayers are not the exporter as a change to the delivered duty paid to ex-works can alter circumstances which could lead to a change in exporter status and GST payable.

Incorrectly Classifying Supplies of Services as Not Connected with Australia

A service physically performed in Australia is considered to incur Australian GST if the business earns over $75,000 per annum, even if the supplier is a non-resident or the supply is outside of Australia. If the supply is to a recipient outside of Australia, it is considered GST-free.

Incorrect Reporting of Non-Resident Refunds

Non-residents may register to collect GST and claim GST tax credits paid on acquisitions, however only goods and services incurred within and connected to Australia may be claimed.

Non-Residents and Non-Deductible Expenses

Many non-resident businesses claim Input Tax Credits (ITC) that they are not entitled to claim, such as items that are not business related and/ or entertainment for staff and expenses. This also alters the Fringe Benefits Tax that businesses are required to pay.

GST mistakes can lead to fees and penalties for your import/export business and the Australian Taxation Office will not accept ignorance as an excuse. On the other hand, you may be entitled to claim GST credits that your business has otherwise failed to be credited back, saving your tax dollar.

It pays to use a registered Australian Tax Agent to help with your import/export tax obligations. Speak to someone who knows – ITP The Income Tax Professionals can help with your import/export tax questions and obligations.