

THE GOODS & SERVICES TAX (GST) SYSTEM

AUSTRALIAN BUSINESS NUMBER (ABN)

The Australian Business Number (ABN) is the identifying number that businesses use when dealing with other businesses.

The ABN is used to register for a range of business registrations with the Australian Taxation Office, (ATO), including GST, PAYG withholding (for employee wages), Fringe Benefits Tax and Fuel Tax Credits.

Entitlement to an ABN

To be entitled to an ABN you must be:

- A company registered under corporations law in Australia
- A government entity, or
- An entity that is carrying on a business in Australia (i.e. sole trader, partnership or trust)

Applying for an ABN

You can apply for an ABN online through www.abr.gov.au or through your tax agent who can also register you for other tax obligations such as GST.

GST REGISTRATION

If you carry on a business you must register for GST if your turnover is over \$75,000.

If you carry on a business, but your turnover is less than \$75,000, registering for GST is optional. But if you choose to register for GST, generally you must stay registered for at least 12 months.

Once you have registered for GST, you will need to include GST in the price of most goods and services that you sell and you will be able to claim credits for the GST included in the price of your business purchases.

You will also need to report these transactions by completing a Business Activity Statement (BAS) which can be lodged monthly, quarterly or annually depending on your turnover.

You can register for GST online at www.abr.gov.au or through your tax agent when applying for your ABN, or at a later stage.

If your GST turnover falls below the registration threshold, you can choose to cancel your GST registration.

TAXABLE AND NON-TAXABLE SALES

If you are registered, GST is included in the price of most goods, services and other things you sell to others in the course of business. They are called taxable sales.

There are other types of sales where GST is not included in the price. These are either:

- GST-free sales – such as most basic foods, some medical and health care products and services
- Input taxed sales – such as renting out residential premises.

ACCOUNTING FOR GST

Small businesses (less than \$2million turnover) can choose to account for GST on a cash or non-cash basis. Others must account for GST on a non-cash basis.

Accounting for GST on a *cash basis* means that for a particular reporting period you include in your activity statement payments received for your sales and the amounts you paid for your purchases.

Accounting for GST on a *non-cash basis* means you include in your activity statement sales for which you issues invoices and the purchases for which your suppliers issued invoices.

Either way you must keep adequate records of your purchases and sales, including GST amounts.

ISSUING AND OBTAINING TAX INVOICES

If you make taxable sales, your GST registered customers and clients will need tax invoices from you to claim their GST credits.

If a customer asks you for a tax invoice, you must provide one within 28 days of the request. You must be registered for GST to issue a tax invoice.

Tax invoices must include certain information, such as the sellers name and ABN, and the GST-inclusive price of the sale.

Requirements of a tax invoice

Tax invoices you issue or receive must include certain information depending on the price of a sale. Tax invoices for sales of \$1,000 or more require more information than tax invoices for sales of less than \$1,000.

Sales of less than \$1,000

Tax invoices for taxable sales that total less than \$1,000 (including GST) must include the following information (the numbers in the list related to the tax invoice below):

1. The words 'tax invoice' stated
2. The sellers name
3. The sellers ABN
4. The date the invoice was issued
5. A brief description of items sold
6. The GST-inclusive price of the sale
7. The GST amount – this can be shown separately or as a statement such as 'Total price including GST'

1 Tax invoice	
2 Windows to Fit Pty Ltd ABN: 32 123 456 789 3	15 Burshag Road Festler NSW 2755
4 Date: 1 August 2005	
To: Building Company 254 Burshag Road Festler NSW 2755	
Description of supply	Total
Window frames 5	\$825 6
TOTAL PRICE INCLUDING GST	\$825 7

Sales of \$1,000 or more

Tax invoices for sales over \$1,000 must include the following information (the numbers in the list related to the tax invoice below):

1. The words 'tax invoice' stated
2. The sellers name
3. The sellers ABN
4. The date the invoice was issued

5. The buyers name
6. The buyers address or ABN
7. A brief description of the items sold
8. For each description, the quantity sold
9. The GST-inclusive price of taxable sales
10. The GST amount – this can be shown separately or as a statement such as ‘Total price including GST’

1 Tax invoice				
2 Windows to Fit Pty Ltd ABN: 32 123 456 789 3			15 Burshag Road Festler NSW 2755	
4 Date: 1 August 2005				
To: Building Company 5 254 Burshag Road 6 Festler NSW 2755				
Qty	Description of supply	Unit price	GST	Total
7 50	Window frames 8	\$150	\$15	\$8,250
10	Deadlocks	\$40	\$4	\$440
TOTAL AMOUNT PAYABLE			9	\$8,690
The total price includes GST of \$790				10b

RECORD KEEPING FOR GST

You must keep records of all your sales and purchases to prepare your activity statements. To claim GST credits, you must have tax invoices. You must keep these invoices for 5 years.

You must have a tax invoice to claim a credit for the GST included in the price of any goods and services you buy for your business that cost more than \$82.50, including GST.

Here are some tips to keep you on top of your record keeping:

1. Get organised and stay organised.
2. Decide what record keeping system works best for you.
Some people prefer to keep paper records, while others find an electronic software package more efficient.
3. Set up a good filing system for your paperwork.
A good filing system will help you follow up overdue debts and know when your accounts are due for payment. This will help you manage your cashflow.
4. Make sure your records can be understood by anyone.
5. Make sure your records contain enough information; for example tax invoices with all the required information and cheque butts correctly filled out. It's a good idea to cross reference records; for example when an invoice is paid by cheque, write the cheque number on the invoice.
6. Ask for help before things get out of control. You may want to engage a bookkeeper or your tax agent to prepare activity statements for you.