

## **Tax Tools – GST - Various Details**

### **Registration Turnover Thresholds**

Entities will be required to register if the entity's annual turnover meets the applicable registration turnover threshold.

<b><u>Entity</u></b>	<b><u>Annual Turnover</u></b>
Entities (other than non-profit bodies)	\$75,000
Non-Profit Bodies	\$150,000
Taxi Operators	Registration compulsory
Undertakings where registration turnover Is less than \$75,000	May elect to register

### **Notes on Annual Turnover**

The measurement of the annual turnover threshold is **not** done annually, at financial year end. It is the current month plus the next 11 months. The Test needs to be conducted on a regular basis. If you ever have a Tax Audit, the Tax Office would look at the turnover in hindsight. In an Audit, they may say that, based on actual turnover, you should have registered six months before you actually registered. If this happens, they can then charge you 10% GST of that turnover for six months, which could be thousands in GST being owed. It does not matter you did not charge your customers the GST, the Tax Office will take it from your business profits.

*Therefore, we strongly recommend that once your monthly turnover is around \$5,000 to \$6,000 for three months, then that is the time you should strongly consider registering for GST. When this occurs, please ring the office to discuss.*

### **Approved Tax Invoice Threshold**

Input Tax Credit Claim – GST Exclusive Value Less Than \$75 – **Approved Invoice Not Required**

Input Tax Credit Claim – GST Exclusive Value \$75 + - **Approved Tax Invoice Required**

For purchases with a GST exclusive value of \$75 or less, the documentation required for income tax purposes will be sufficient to claim an input tax credit.

*(Source: 2016 Tax Rates & Tables, published by Thomson Reuters)*

## GST Correction Limits

<u>Taxpayer Annual Turnover</u>	<u>GST Correction Limit (Less Than)</u>	<u>Time Limit to Correct Errors</u>
\$0- \$19 million	\$5,000	18 months

The above means that we can correct most GST errors in a future BAS, rather than amending the BAS, where the error was made. You just need to keep the relevant working papers that shows these adjustments to your current BAS.

If the net adjustment owed is \$5,000 or more then the adjustment must be made to the existing BAS as an amendment. You would then need to request an Amended BAS Form from the Tax Office, for that quarter.

If the error occurred more than 18 months ago the adjustment must be made to the existing BAS as an amendment. You would then need to request an Amended BAS Form from the Tax Office, for that quarter.

## GST Cash Basis Accounting Thresholds

The threshold is \$2 million.

If the annual turnover of a GST entity does **not** exceed the “cash accounting turnover threshold” the entity may be permitted to account on the “cash basis”.

This is normally a better way to go, as you don’t owe any GST until you receive it. Conversely, you cannot claim any GST on expenses and capital purchases until you have paid the supplier.

We would normally register an eligible business for the “cash basis”.