

A Guide to GST and BAS in Australia



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What is GST?

You've probably heard of GST before – it stands for “goods and services tax” and is added to nearly everything you buy in Australia. As it is mostly included in the price on the shelf, you normally wouldn't give it a second thought.

If you're a business owner, you may be required to register for and collect GST. This means:

- You may need to add GST to your prices.
- You will need to send that extra money to the ATO.
- You can claim back any GST that you're charged on business supplies and expenses.

How Much is GST?

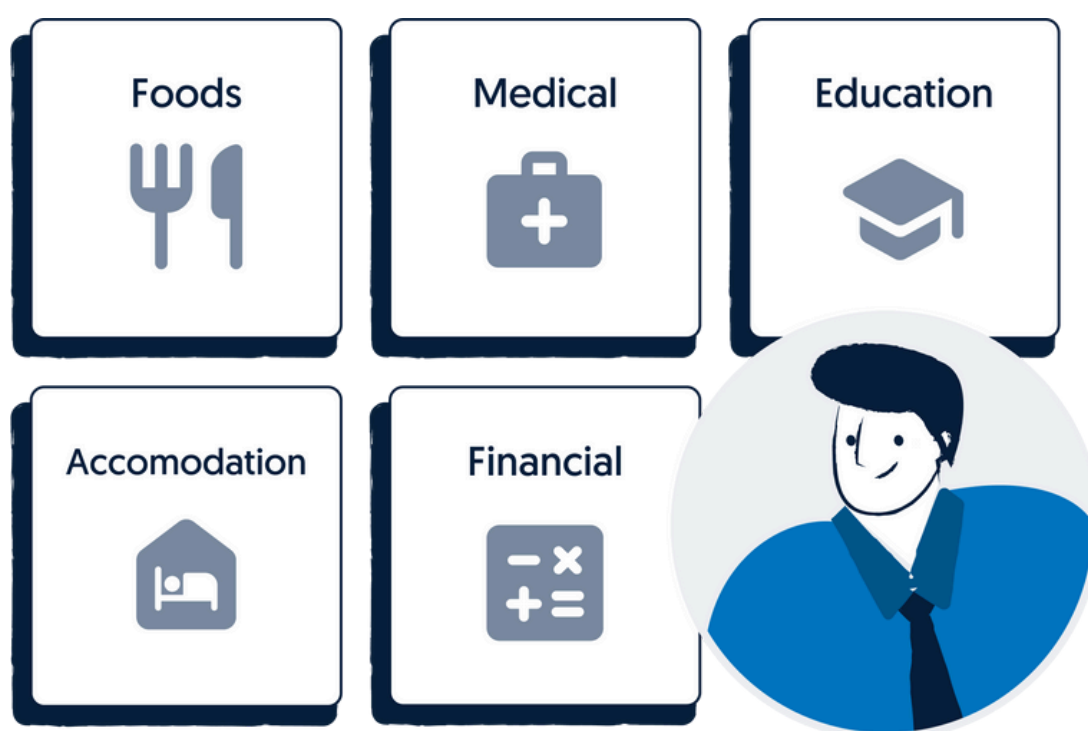
On most sales in Australia, the GST rate is 10%



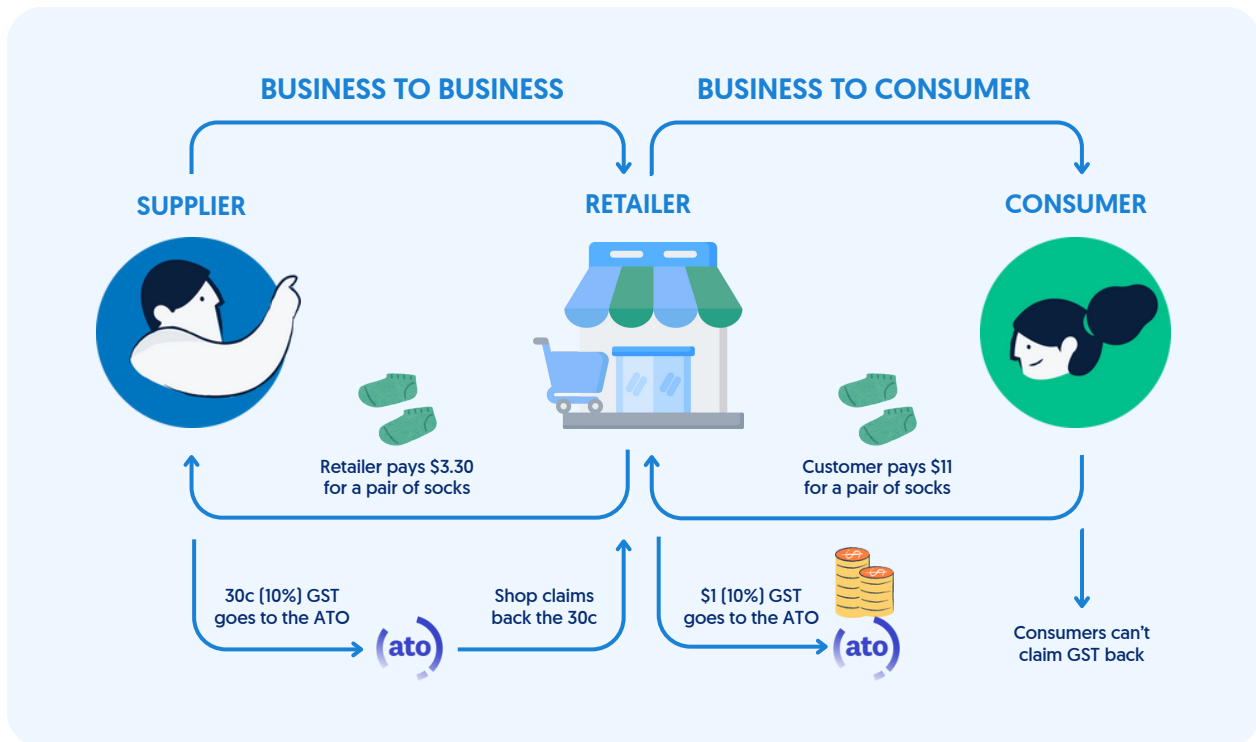
GST-free Sales

- Some types of products and services can be sold without adding GST, including:
- Staple foods such as fruits and vegetables, meat, most dairy, spices and sauces
- Some education courses and resources
- Some medical and healthcare products and services
- Financial products and services

You can view a complete list of GST-free goods and services on the [GST-Free Sales ATO page](#).



How Does GST Work?



GST on Imports

You will have to pay GST on most imported goods. It's added to the price you paid for the goods, plus shipping costs, and you may have to pay it before customs will release the shipment. You can generally claim the cost back when submitting a GST return. GST-registered businesses don't have to pay GST on services or subscriptions from overseas suppliers.

GST on Exports

You don't have to charge GST on exports if the goods leave Australia within 60 days of you receiving payment or issuing an invoice, whichever comes first.

Registering For GST

Find out if your business needs to register for GST. If so, learn how to do it and find out what happens next.

Who Needs to Register for GST?

- Australian based businesses with an annual turnover of \$75,000 or more
- Taxi drivers and ride-sharing drivers no matter what their turnover is
- Not for-profit organisations with an annual turnover of \$150,000 or more
- Businesses that want to claim fuel tax credits
- International retailers with total Australian sales of \$75,000 or more a year

Once you're registered for GST, you don't end up paying GST on business expenses. You'll still get charged the GST-inclusive price when you make the purchase, but you can claim that money back when you file your return with the ATO.

What Do I Need to Register?

You'll need an Australian Business Number (ABN). However, if you're registering as a company, then you'll need an Australian Company Number (ACN) before applying for your ABN.

Choosing an Accounting Basis

During the registration process, you may be asked how you will account for GST. This decision determines when you owe GST on sales (and when you can claim GST refunds on expenses). There are three options, but they may not all be available to you.

- Cash accounting – businesses will only owe GST on a sale once the customer has paid them
- Accrual basis accounting – they owe GST on a sale as soon as they raise an invoice or get paid, whichever comes first
- Simpler accounting method (SAM) – food retailers can use the SAM method. See the [GST for Food Retailers SAM](#) page on the ATO.

Many businesses use cash accounting for GST, but accrual accounting for income tax. That may sound complex but good accounting software makes it easy to move between the two.

How to Register for GST

It's simple to register for GST yourself and it costs nothing.

Register Online

- You can get your ACN, ABN and register for GST with the [Business Registration Service](#).
- You can also register for GST through the [ATO Business Portal](#).

The Business Portal is the primary approach for businesses to communicate with the ATO. It's also where you will submit your business activity statements (BAS). You can also submit your BAS via online accounting software.

Other Ways to Register

You can use form NAT 2954 ([order it here](#)) or contact the ATO directly.

After GST Registration

Once you've registered for GST you need to:

- Add GST to your prices
- Issue tax invoices to your customers
- Keep receipts and invoices to claim back GST on business expenses
- Submit business activity statements (BAS) to the ATO
- Pay any GST due

Calculating GST and Issuing Tax Invoices

If you're a GST-registered business, you must add GST to your prices. You also need to issue GST invoices to customers. Let's look at the maths and requirements of both.

How to add GST to Prices

You need to put your prices up by 10% and there is a very simple formula to do this.

What are Tax Invoices?

A tax invoice tells a customer how much GST they paid on a purchase. It's more important information because some of your customers may be able to claim that tax back. If you're registered, you must issue a GST invoice on request.

Receipts versus tax invoices

A receipt printed at point of sale is called a tax invoice if it has all this information on it. But it must contain the words 'tax invoice'.

Claiming GST (and Input Tax Credit)

GST-registered businesses can claim back the GST they pay on business expenses. They can also sometimes claim back GST paid on income. Let's learn how.

When You Can Claim GST Back

You can claim GST back when you've purchased goods or services for your business (input tax credits) and when a customer leaves you with a bad debt.

GST Tax Credits for Business Expenses

When you buy something for your business, you're usually charged GST. If you're registered for GST, you can claim that back. You do this by claiming a GST tax credit when lodging your business activity statement (BAS). The ATO will balance those credits against the GST you owe when working out your refund or bill.

When are expenses split between your business and home?

If you bought something both for your business and for private use, you can claim a GST credit for the business portion.

What happens when you're not collecting any GST?

You can claim back GST on supplies even if the product or service that you sell is GST free.

Claiming GST Back on a Bad Debt

If you account for GST on an accrual basis, you can sometimes get caught out by a bad debt. For example, you might raise an invoice and pay GST on the expected income then find your customer doesn't pay you.

Don't worry, you may be able to claim back the GST from the ATO on your next return. If the customer pays later, you will repay the GST then. You can learn more about [bad debt adjustments on this ATO page](#).



Working Out Your GST Refund or Bill

Working out GST is straightforward maths. Keeping track of all your transactions is the trickiest part. Let's look at the process.

1. Make a note of the GST paid on your business purchases.




2. Make a note of the GST collected on sales.

Collected on sales

Subtotal	\$304.35
GST	\$30.43
TOTAL	\$334.78

Money you owe the ATO



3. Add both types of GST

GST collected		GST paid	
April	[lines]	April	[lines]
May	[lines]	May	[lines]
	\$2819.74		\$1342.87

4. Run the GST formula. If it's a negative, you'll get a refund for that amount.

\$2819.74 - \$1342.87 = 1476.87 Money you owe the ATO.

Avoid nasty surprises with smart bookkeeping

Like any business, you'll aim to sell more than you buy. If you succeed in doing that, you'll most likely end up with a GST bill to pay. Run the four-step GST calculation regularly so you can:

- Work out how big your GST payment is shaping up to be
- Transfer cash to a separate bank account to cover the GST you'll need to pay

Automate your GST calculations

You can use our online accounting software to stay on top of GST. It automatically records GST collected and paid and does the maths for you.

Business Activity Statements

What is BAS?

A business activity statement is a form that you complete between one and twelve times a year, depending on the size of your business. The ATO uses the information on your BAS to work out your GST refund or bill. It's also used for business income tax (if you're in the pay-as-you-go system), employee income tax, fringe benefit tax, luxury car tax, wine equalisation tax, and fuel tax credits

The Information Needed

You'll need a record of how much GST you collected on sales, and how much was paid on purchases. You won't need to submit tax invoices when you lodge your BAS, but you will need to have them on hand. The ATO may ask to see them later.

Because your BAS may also be used for other tax reasons, you will probably need to provide extra information about your business, its income and any employees. You can learn more about business activity statements on the ATO website.

How to Lodge a BAS

You can lodge a BAS online:

- Via your online accounting software
- Through your MyGov account if you're a sole trader
- Through the ATO's online business portal
- By having a registered tax or BAS agent (generally an accountant or bookkeeper) submit it for you.

When are the BAS due Dates?

How often you complete a BAS – and when you must submit it, depends on how much business you're doing. That's measured by your annual turnover.

More than \$20 million annual turnover

- Lodgements are monthly
- You must submit a BAS within 21 days of the month closing

Less than \$20 million annual turnover

- Lodgements are quarterly
- Quarter 1 (July to September) BAS is due on 28 October
- Quarter 2 (October to December) BAS is due on 28 February
- Quarter 3 (January to March) BAS is due on 28 April
- Quarter 4 (April to June) BAS is due on 28 July

If your annual turnover is less than \$10 million

- You may be able to lodge annually but you're still required to pay a quarterly instalment of the GST you owe.

If your annual turnover is less than \$75,000 or \$150,000 for non-profits

- Lodgements are done annually and will be submitted with income tax return.



If You Miss Your BAS Due Date

You may be penalised by the ATO if you blow your BAS deadline without good reason.

GST Payment

If your BAS says that you owe GST, then you are generally required to make that payment on the same day. You can pay online, by mail, or in person at Australia Post.

If you can't afford to pay the GST you owe, you may still be able to avoid a fine by lodging your BAS on time, then working out a payment plan with the ATO.

If you paid more GST than you collected, the ATO will owe you a refund. It will be paid directly into your nominated bank account.



Have any questions?

Call and speak to Lawpath consultants on

1800 529 728

Find out more

