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it's the GST's 10th birthday

... are you keeping pace?

On 1 July 2010, the GST turned ten. So what has changed in those ten years? Accountant MARG MARSHALL looks at some of the common errors businesses make when it comes to certain GST procedures.

The question business owners need to be asking themselves is are their records and processes up to date? Believe it or not, the GST turned ten in July, but not everyone is celebrating. For many in the business community, administering the system has become a costly headache, thanks to the minefield of exemptions and adjustments.

What has changed?

The GST legislation is constantly changing and together with the hundreds of GST rulings issued by the Australian Taxation Office, this results in a considerable administrative workload to keep up to date. Key areas where there have been recent changes include property development and sale, partnership restructures and business sales.

What are some common errors businesses make?

One of the most important requirements for reporting GST correctly, but also one of the most common problems, is keeping appropriate records. In order to claim a GST credit for a business purchase, you must have certain documentation. If the purchase is over \$82.50 (including GST), you must obtain a tax invoice from the supplier. If it is \$82.50 or less, a receipt, cash register docket or standard invoice will suffice. Documentation must be retained for a minimum of five years from the transaction completion date.

Another common error is claiming the wrong amount of GST. Whilst GST is generally charged at a flat rate of 10%, on

some items you will find the net GST being less than this. This may occur when there are fees or charges which are GST free, included on the invoice. This is often the case with insurance, air fares, registration fees and many more.

Time for a GST 'Health Check'

Many businesses set their processes up in 2000 and have been operating using these same processes for the past ten years. Given the relative complexity of the system and the number of changes that have occurred over the last ten years, 'set and forget' is not the best strategy.

The ATO continues to announce increases in their audit and compliance activity. It is therefore timely to consider your GST processes from an overall 'health' perspective.

The best defence against an ATO audit is logical, well documented processes, evidenced by good record keeping. Whether you've had a GST audit or not, now's the time to review the list above and be confident that your business is up to date with the GST.

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ask yourself

- Is my record keeping adequate?
- Are my tax invoices in the correct format?
- Am I reporting correctly?
- Should I be making adjustments for private use of assets?
- What ATO rulings affect my business?

