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BOOKKEEPING**

# **GST and BAS Guide Australia**

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# GST and BAS Guide Australia

As a business owner it's important that you understand the ins and outs of GST. It can seem a bit daunting at first, but becomes easier as time goes on.

This free guide will take you through everything you need to know to get started with GST and BAS.

This guide is intended as general information only. Always check with a professional for advice.

For professional advice contact Anytime Assist Bookkeeping.



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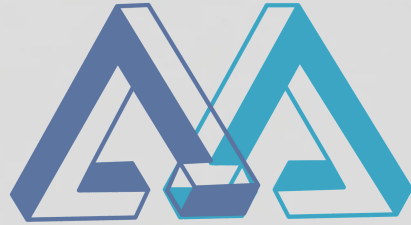
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**1**

**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's almost always included in the price on the shelf, you probably don't give it a second thought.**

### **How can GST affect my business?**

If you're a business, 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?**

10% is the GST rate. It's charged on most sales in Australia, but not all of them.

### **GST-free sales**

Some types of products and services can be sold without adding GST, including:

- staple foods such as fruit and vegetables, meat, most dairy, spices, and sauces
- some education courses and resources
- some medical and healthcare products and services
- financial products and services

### **How does GST work?**

The GST on any item is designed to be paid by the consumer in the end, rather than by the businesses involved in its supply.

## **1 Supplier Sells to Shop**

**Supplier sells shoes to shop for \$11. They owe the \$1 GST to the ATO.**



**Shop pays supplier the \$11, but claims the \$1 back from the ATO. They don't end up paying the GST.**

## **2 Shop Sells to Customer**



**Shop sells Shoes for \$33. Owes the \$3 GST to the ATO**

**Customer can't claim GST back. They end up paying the \$3 GST.**

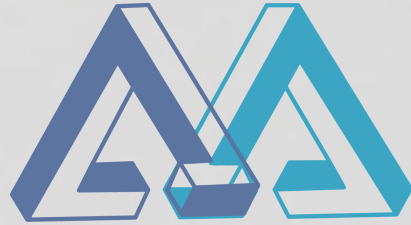


## Main GST-free products and services

**Most basic foods, some education courses and some medical, health and care products and services are exempt from GST.**

Things that are GST-free include:

- most basic food
- some education courses, course materials and related excursions or field trips
- some medical, health and care services
- some menstrual products (from 1 January 2019)
- some medical aids and appliances
- some medicines
- some childcare services
- some religious services and charitable activities
- supplies of accommodation and meals to residents of retirement villages by certain operators
- cars for disabled people to use, as long as certain requirements are met
- water, sewerage and drainage
- international transport and related matters
- precious metals
- sales through duty-free shops
- grants of land by government
- farmland
- international mail
- sales of businesses as going concerns
- some telecommunications supplies
- eligible emissions units.



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**2**

**Registering for GST**

**Now that you've got a handle on the basics, find out if your business needs to register for GST and, if so, how to do it and 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

*You can get into legal difficulty if you don't register for (and collect) GST when you should.*

If your annual turnover is under the threshold, you can voluntarily register for GST. There are benefits of registering your business for GST, but there will also be extra things for you to think about so it's good to weigh up your options first.

### **Benefits of registering**

Once you're GST registered, 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 BAS with the ATO.





## How do I register?

- online via the ATO (Australian Taxation Office) Business Portal
- by phone on 13 28 66
- through a registered BAS Agent like Anytime Assist Bookkeeping
- by ordering a form from the ATO and returning it by mail

## 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

Some small businesses are able to use cash accounting. Those businesses only owe GST on a sale once the customer has paid them.

### Accrual basis accounting

Some businesses must use accrual basis accounting. That means they owe GST on a sale as soon as they raise the invoice or when they get paid, whichever comes first.

### Simpler accounting method

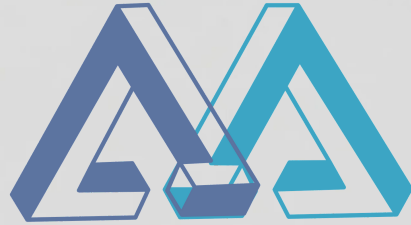
Food retailers can use the simplified accounting method (SAM). Check out the ATO website to see if it's for you.

*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.*

## Once you're registered for GST

Once you're 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



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# 3

**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 so they know the amount of GST being added to the bill and the total cost.**

### **How to add GST to prices**

You need to put your prices up by 10%. There's a very simple formula for doing that.

$$\text{Your Price} \times 1.1 = \text{GST Inclusive Price}$$

*Don't do this to GST-free products or services that you sell.*

### **What are tax invoices?**

A tax invoice tells a customer how much GST they paid on a purchase. It's important information because some of your customers may be able to claim that tax back. If you're GST 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 of this information on it. But don't forget it must contain the words 'tax invoice'.

### **Requirements of a tax invoice under \$1000**

Tax invoices for taxable sales of less than \$1,000 must include enough information to clearly determine the following seven details:

- that the document is intended to be a tax invoice
- the seller's identity
- the seller's Australian business number (ABN)
- the date the invoice was issued
- a brief description of the items sold, including the quantity (if applicable) and the price
- the GST amount (if any) payable – this can be shown separately or, if the GST amount is exactly one-eleventh of the total price, such as a statement which says 'Total price includes GST'
- the extent to which each sale on the invoice is a taxable sale (that is, the extent to which each sale includes GST).

## Requirements of a tax invoice over \$1000

Tax invoices for sales of \$1,000 or more need to show the buyer's identity or ABN.

If your tax invoices meet the requirements for sales of \$1,000 or more, you can also use them for sales of lesser amounts.

## Tax invoice example

Here's an example of a tax invoice.

The diagram illustrates a tax invoice with callouts explaining its components:

- The words Tax Invoice should appear somewhere prominent:** Points to the text "TAX INVOICE" at the top of the invoice.
- Buyers identity (optional if invoice is less than \$1000):** Points to the buyer's details: John Smith, 123 Example St, THIS TOWN NSW 2222, AUSTRALIA.
- Date invoice issued:** Points to the "Invoice Date" field: 1 Jan 2020.
- Sellers identity:** Points to the seller's details: Demo Company (AU), 123 Main Street, CENTRAL COAST NSW 2111.
- Sellers ABN:** Points to the "ABN" field: 11 111 111 138.
- Pre-GST Price:** Points to the "Amount AUD" column for the first row: 100.00.
- Amount of GST:** Points to the "Amount AUD" column for the "TOTAL GST 10%" row: 10.00.
- Total cost to buyer:** Points to the "Amount AUD" column for the "TOTAL AUD" row: 110.00.

**TAX INVOICE**

John Smith  
123 Example St  
THIS TOWN NSW 2222  
AUSTRALIA

LOGO

Invoice Date  
1 Jan 2020

Invoice Number  
INV-1111

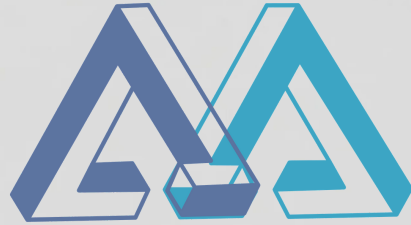
ABN  
11 111 111 138

Demo Company (AU)  
123 Main Street  
CENTRAL COAST NSW 2111

Description	Quantity	Unit Price	GST	Amount AUD
My Services or Product	1.00	100.00	10%	100.00
			TOTAL GST 10%	10.00
			TOTAL AUD	110.00

**Due Date: 31 Jan 2020**  
When paying by cheque, please complete this payment advice, detach and post to the address provided.

Online payment preferred - use our account 083-234-12345678 or use the 'Pay online now' link to pay via PayPal with your credit card.



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**Claiming GST**

## **GST-registered businesses can claim back the GST they pay on business expenses.**

### **Let's take a look at what you can claim back and how.**

#### **Claiming back GST on 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 expenses are split between business and home**

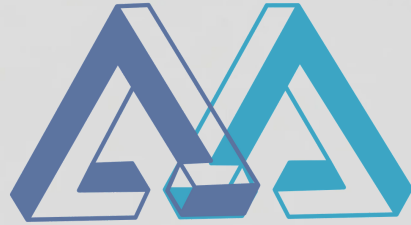
If you bought something for both your business and for private use, you can claim a GST credit for the business portion.

#### **When you're not collecting any GST**

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

#### **Claiming back GST 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.



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**5**

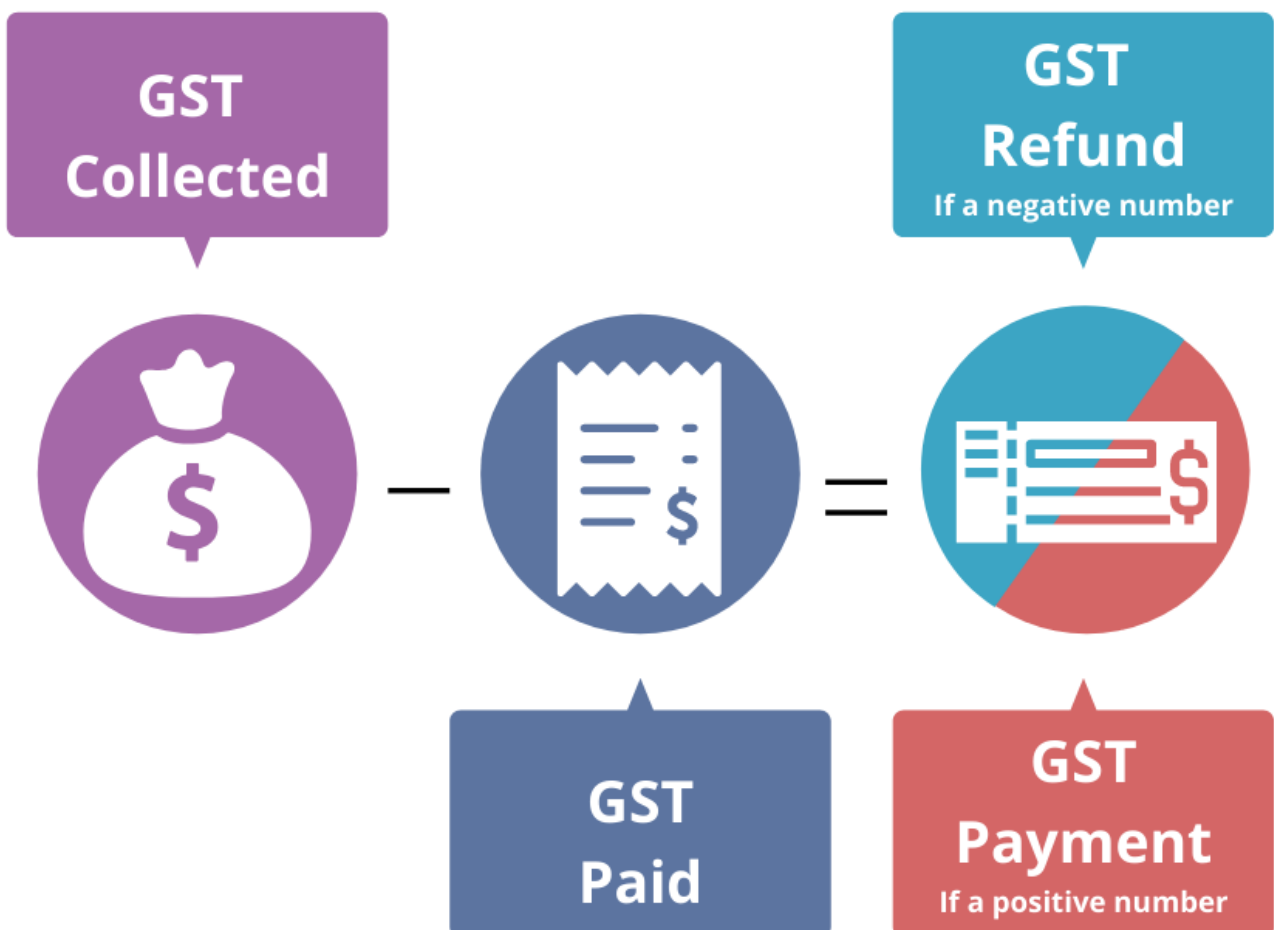
**Working out your  
GST refund or bill**

**When submitting a business activity statement – which includes the GST return – most businesses must account for all of their purchases and sales.**

**Let's take a look at the maths you need to do, and some practical bookkeeping tips.**

**GST is a simple formula**

You work out GST by comparing the amount you paid on purchases to the amount you collected on sales.





## How to work out GST in four steps

### 1. Note the GST paid on your business purchases

#### Business Purchase

Description	Quantity	Unit Price	GST	Amount AUD
My Services or Product	1.00	100.00	10%	100.00
TOTAL GST 10%				10.00
TOTAL AUD				110.00

Record as an EXPENSE on P&L

Money you can claim back from the ATO

Money you pay to supplier

### 2. Note the GST collected on sales

#### Sales Invoice

Description	Quantity	Unit Price	GST	Amount AUD
My Services or Product	1.00	100.00	10%	100.00
TOTAL GST 10%				10.00
TOTAL AUD				110.00

Record as a SALE on P&L

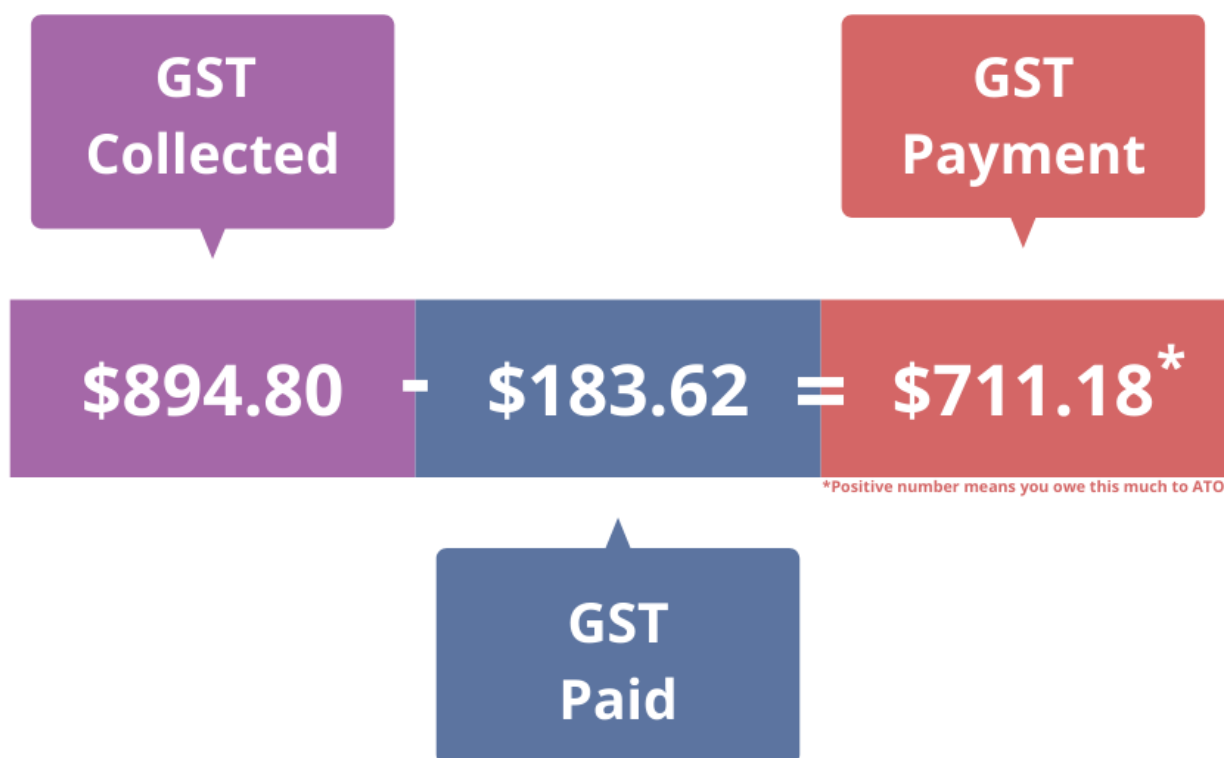
Money you owe to the ATO

Money paid to you by buyer

### 3. Add both types of GST

GST Collected	GST Paid
\$136.36	\$10.90
\$31.18	\$27.27
\$236.36	\$145.45
\$490.90	
<b>\$894.80</b>	<b>\$183.62</b>

#### 4. Run the GST formula



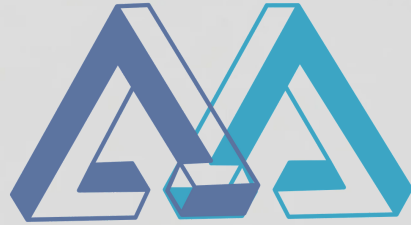
#### Avoid nasty surprises with smart bookkeeping

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 online accounting software like Xero to stay on top of GST. It automatically collects sales and purchase information from multiple sources, and does the maths for you. The software keeps a running count of your GST situation so you always know where you stand. When your business activity statement (including your GST return) is due all the information is ready to go.



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**Lodging a BAS**



**As a GST-registered business you'll need to let the government know how much you've collected and how much you've paid.**

**You do this by completing a business activity statement (BAS).**

### **What is a BAS?**

A BAS is a form that you fill out between one and twelve times a year, depending on your business size. 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 benefits tax, luxury car tax, wine equalisation tax, and fuel tax credits.

### **Information you will need**

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. Learn more on the ATO page about business activity statements.

### **How to lodge a BAS**

You can lodge your BAS online:

- via your online accounting software
- through your myGov account/ATO business portal
- by having a registered tax or BAS agent submit it for you

### **What are BAS due dates?**

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

If you have a BAS Agent submit for you then you may be eligible for additional time.

## **More than \$20 million annual turnover**

Lodge: Monthly.

Deadlines: You must submit a BAS within 21 days of the month closing.

## **Less than \$20 million annual turnover**

Lodge: Quarterly.

Deadlines:

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

## **Less than \$75,000 annual turnover (or \$150,000 for non-profits)**

Lodge: Annually.

Deadline: Submit 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 a good reason.

## **GST payment**

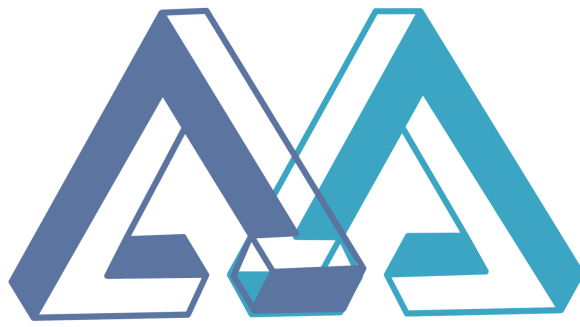
If your BAS says that you owe GST, then you are generally required to make that payment on the same day. You can pay online, by mail, or in person at Australia Post. If you can't afford to pay the GST you owe, you may still be able to avoid a fine by lodging your BAS on time, then working out a payment plan with the ATO.

## **Getting a GST refund**

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.

## **Help and Assistance**

If you require assistance with preparing or lodging your BAS or have any questions regarding GST, contact Anytime Assist Bookkeeping.



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