

**A PRACTICAL 'GST' and 'PAYG' overview for members of the
Australian Bar Association**

A Manual for barristers



Prepared by the New South Wales Bar Association on behalf of the Australian Bar Association

28 April 2000

A note from the GST Start-up Assistance Office

Important information concerning this material – please read

This material is provided under the Commonwealth's GST Start-up Assistance Programme, and is designed to provide general information on the GST and on business skills, practices and processes necessary to operate with the GST, focussed on small and medium enterprises and the community and education sectors. Because business circumstances can vary greatly, the material is not designed to provide specific GST or business advice for particular circumstances. Also, because aspects of the GST are complex and detailed, the material is not designed to comprehensively cover all aspects of the GST as it applies to small and medium enterprises and the community and education sectors. Further, the laws implementing GST, and rulings and decisions under those laws, may change.

Before you rely on this material for any important matter for your business, you should:

- **make your own enquires about whether the material is relevant and still current, and whether it deals accurately and completely with that particular matter; and**
- **as appropriate, seek your own professional advice relevant to that particular matter.**

This material is provided on the understanding that neither the Commonwealth or its personnel, nor any other organisation or person involved in the developing or delivering the GST Start-up Assistance Programme, is thereby engaged in providing professional advice for a particular purpose.

These limitations and warnings also apply to information based on this material presented at any seminars or workshops provided as part of the GST Start-up Assistance Programme.

The Australian Bar Association acknowledges with thanks the financial assistance provided by the Commonwealth's GST Assistance Start-up Programme towards the preparation of this Manual.

This Manual was prepared by
Dennis Robertson, FCA
of
Weston Woodley & Robertson
Chartered Accountants
and settled by
Ian Gzell QC and Anthony Slater QC
on behalf of the GST Committee of
The NSW Bar Association for the Australian Bar Association.

Whilst this Manual sets out the general principles of GST applicable to those in practice at the Bar, and in some instances provides examples, particular circumstances may vary considerably and individuals must consult their own professional advisers.

No person should rely on the contents of this Manual without first consulting a professional adviser.

This Manual is published on the terms and understanding that the authors, consultants, editors, The NSW Bar Association and the Australian Bar Association:

- (1) are not responsible for the results of any actions taken on the basis of the information in this Manual, nor for any error in or omission from this Manual;
- (2) are not engaged in rendering legal, accounting, professional or other advice or services to readers of this Manual; and
- (3) expressly disclaim all and any liability and responsibility to any person, whether a purchaser or reader of this Manual or not, in respect of anything, and of the consequences of anything, done or omitted to be done by any such person in reliance, whether wholly or partially, upon the whole or any part of the contents of this Manual.

Without limiting the generality of the above, no author, consultant, editor, The NSW Bar Association or the Australian Bar Association shall have any responsibility for any act or omission of any other author, consultant, editor, The NSW Bar Association or the Australian Bar Association.

TABLE OF CONTENTS

<u>CHAPTER</u>	<u>TOPIC</u>	<u>PAGE NO</u>
1.	INTRODUCTION	3
2.	GST FUNDAMENTALS	4
3.	START UP REQUIREMENTS (REGISTRATION AND OPTIONS).....	6
4.	QUARTERLY LODGEMENTS - BUSINESS ACTIVITY STATEMENT ('BAS')	8
5.	NEW PAY AS YOU GO ('PAYG') TAX SYSTEM.....	9
6.	GST AND PAYG IMPACT ON YOUR ACCOUNTING RECORDS.....	10
8.	RENDERING FEES AND INCURRING EXPENDITURE.....	15
10.	INTERRELATIONSHIP WITH FRINGE BENEFITS TAX.....	18
11.	BUSINESS ISSUES THAT COULD IMPACT	19
12.	TRANSITIONAL PROVISIONS	19
13.	OTHER MATTERS (NON PROFESSIONAL INCOME).....	20
14.	CHECKLISTS.....	22
15.	SOME GST AND PAYG LEGISLATION REFERENCES.....	22
16.	NON COMPLIANCE, ANTI AVOIDANCE AND PROFITEERING PROVISIONS.....	23
	APPENDIX A (TAX INVOICE).....	25
	APPENDIX B (BUSINESS ACTIVITY STATEMENT).....	26
	APPENDIX C (CHECKLISTS).....	28

1. INTRODUCTION

- 1.1 This overview has been designed to be read in 2 hours; it is suggested you peruse it, initially at one sitting, to gain an overall understanding.
- 1.2 This overview has been produced to assist members of the Australian Bar Association in their understanding of the Goods & Services Tax that commences on 1 July 2000.

It is not intended that the use of this overview, will have you up and running with GST; it is designed, however, to provide barristers with a practical understanding of the basic principles, legislation, lodgement and accounting requirements. Barristers are urged to seek advice from their accountants and/or other appropriate advisers to ensure all aspects of their individual circumstances are addressed. Refer to the disclaimer in respect of this overview.

- 1.3 Provisional tax (along with 'Company Instalments', 'Prescribed Payments' and 'withholding tax') will all be replaced on 1 July 2000 with a comprehensive and complicated 'PAY AS YOU GO' ('PAYG') tax remittance system. Your PAYG income tax instalments (formerly provisional tax instalments) will be accounted for, quarterly, on the same document as your GST payments to the Australian Taxation Office ('ATO') (refer to Chapters 4 and 5 of this overview). Your PAYG instalments, from 1 July 2000 will be calculated based on your actual quarterly gross revenue (as opposed to the provisional tax instalments which are currently based on your previous year's income).
- 1.4 This overview has, adopted a practical approach to assist members in their understanding of GST impact on them. Chapter 15 of this overview lists the major legislative references for those barristers desirous of developing a more detailed knowledge of the GST and PAYG tax systems.
- 1.5 The GST tax, as a straight tax system, is relatively simple (e.g. the GST collected from instructing solicitors or any other parties to whom you render fees less the GST you pay on business expenses is the amount remitted to the ATO). The impact of compliance is, however, far from simple as you have initial registration, quarterly returns, quarterly reconciliations, changed accounting records, regular accounting, special documentation requirements and cash flow considerations, particularly in respect of income tax PAYG payments.
- 1.6 Registration and planning should be well underway, further delays may mean your implementation process may not be attended to by 1 July 2000. Failure to have registered (having an ABN and registered for GST) by this date will have potentially grave consequences; forfeiture of the right to claim GST input credits incurred prior to your registration and you will also be liable to have 48.5% of your fees withheld by the payer and such withholding remitted to the ATO on your behalf, if you do not have an ABN. Many accounting firms have expressed the concern that their already (GST) strained resources may not be able to cope with late requests for assistance.

2. GST FUNDAMENTALS

- 2.1 In general terms, GST is added to your fees (and sale of business assets) and you collect it on behalf of the ATO; you will be required to pay GST on your expenditure (overheads and capital expenditure). The net amount of GST collected (i.e. collections from clients less GST on your business expenditure) is paid to the ATO. In the case that your GST payments on expenditure exceeds the GST collections from solicitors etc, you will be entitled to receive a refund of your net outlay of GST.
- 2.2 GST is taxed on supply - supply is defined as 'any form of supply whatsoever' and includes professional services, as well as sale of non-residential properties and second hand business assets.
- 2.3 There are 3 classes of supply: -
- (a) 'Taxable Supply' (applies to most business enterprises).
 - You charge GST on the supply you make to solicitors (i.e. your services).
 - You can claim back the GST on the acquisitions you make in respect of taxable supplies you utilise (i.e. on your business overheads and capital expenditure).
 - GST is charged regardless of who acquires your supply (i.e. direct access clients such as charities and schools that may have previously been exempt from sales tax have no GST exemption). Such entities may, themselves, be able to claim back the GST, but you are still required to charge the GST).
 - (b) 'GST Free Supply' (applies to limited areas of supply such as certain food, health care, education and export supplies).
 - No GST is charged by those enterprises making these 'special supplies' (e.g. schools, hospitals, doctors, etc in respect of some of their supplies).
 - The enterprise making the GST free supply is still entitled to claim back the GST input credits on the supplies it has paid for (many of these enterprises will receive a GST refund).
 - (c) 'Input Taxed Supply' (applies to limited areas of supply such as financial transactions such as loans and interest, residential properties - excluding new properties - residential rentals and precious metals - refer to Chapter 13 for examples).
 - No GST is charged by those enterprises making this limited category of supply (banks, residential landlords, etc).

- The enterprise making the input taxed supply is not entitled to claim back the GST input credits on the supplies it has paid for.

2.4 (a) Timing of Supply (where you are the supplier) is, under normal GST rules, based on either the accruals or cash method of accounting (dependant upon which method you are entitled to adopt, refer Chapter 3 of this overview). Transitional provisions can also impact on the timing of supply (refer Chapter 12 of this overview).

(b) Input tax credits can be claimed when paid and you have received a tax invoice for the supply (expenditure). Where you have adopted the cash basis for GST you can only claim input tax credits on expenditure actually paid. In the case that you adopt the accruals basis of accounting for GST you are entitled to claim input tax credits on expenditure incurred, but not yet paid; in this case, however, you would be required to also remit the GST component of your own fees on a rendered basis, as opposed to a cash received basis.

2.5 'Tax Invoice' - This is a specific term from the GST Legislation.

(a) Suppliers are required to issue tax invoices for amounts over \$50 and the tax invoice must contain prescribed information. You are not obliged to issue a tax invoice unless requested, however as solicitors, direct access professionals and direct access clients will require a tax invoice to claim the GST input credit on your invoice, it is generally accepted that it is easier to issue all invoices to comply with the 'tax invoice' requirements. Penalties apply if you do not issue a tax invoice within 28 days of receiving a request for same.

(b) In the majority of cases this will not be an additional document; you will most likely incorporate the prescribed information into your normal 'invoice' or memorandum of fees. This may require amendments to your in-house produced fees account or new or overprinted stationery. Printing companies are also likely to experience a last minute rush for printing 'GST' documents; it is recommended you do not leave printing requirements until the last moment.

(c) You can only claim back GST input credits (in respect of your business expenditure) where you hold a tax invoice in the prescribed form; you can legally demand a tax invoice from your supplier, whilst withholding payment may be an appropriate course of action in some cases, to ensure receipt of the tax invoice. Invoices issued to you prior to 1 July 2000 in respect of supplies made wholly or partly after 30 June 2000, need not be in the form of a tax invoice; they need to disclose supplier's name, address, date of issue, price of the taxable supply and the amount of GST or a statement that the price includes GST.

2.6 Summary - How it Works

	Taxable Supply Taxpayer	GST Free Supply Taxpayer	Input Taxed Supply Taxpayer
Charge GST on supply made	Y	N	N
Pay GST on supply received	Y	Y	Y
Claim GST input tax credits	Y	Y	N

3. START UP REQUIREMENTS (REGISTRATION AND OPTIONS)

3.1 Registration for ABN and GST is required. You cannot register for GST without applying for an Australian Business Number ('ABN').

3.2 An ABN is needed for the following reasons: -

- Your ABN is required to be quoted when receiving fee income, otherwise 48.5% PAYG withholding tax will be deducted by the payer.
- Your ABN is required to be shown on all tax invoices issued by you.
- The recipient's ABN (i.e. the ABN of your solicitor, direct access professional or direct access client) or address is required to be quoted on all tax invoices exceeding \$1,000, issued by you.

3.3 Registration for GST is incorporated with the ABN registration application form.

3.4 GST registration requires certain elections to be made: -

- (a) Monthly or quarterly returns? It is optional, however monthly applies if turnover exceeds \$20 Million or your accounting period ends on other than 30 June. Most will opt for quarterly, to reduce compliance work and where you are a net remitter of GST to the ATO.
- (b) Cash or accruals. It is optional unless your turnover exceeds \$1 Million; accruals will apply in cases where turnover exceeds \$1 Million, unless the ATO has given specific exemption or you are properly accounting for income tax on a cash basis (notwithstanding

your annual gross income exceeds \$1 Million). Since most barristers properly account for income tax on a cash basis, they may elect to return for GST on a cash basis even if earning gross income in excess of \$1 Million.

- 3.5 Where the cash method of accounting is selected, you will remit GST to the ATO for the GST period where you received payment. Where you adopt the cash basis, you can only claim back GST on your expenditure where you have paid those expenses (it should be noted that under current income tax legislation a practitioner on a cash basis of accounting may still claim tax deductions at year end for incurred, but unpaid expenditure. The prepayments rules have recently been altered and, subject to some transitional provisions, the tax benefits of prepayments have been diminished; you should check the current position with your tax adviser).
- 3.6 Formatting your tax invoice for rendering your fees should be addressed as soon as practicable to avoid printing problems and to allow time to ensure it complies with GST legislation. A pro forma tax invoice is attached as Appendix A. In Victoria, where the barrister employs a Clerk, the Clerk's invoice needs to be amended accordingly. The Clerk must have the barrister's ABN for recording on the invoice. Victorian Clerks should be modifying their computer software in order to produce barristers' tax invoices.

The tax invoice must disclose: -

- (a) For tax invoices less than \$1,000: -
- Supplier's ABN (i.e. your ABN);
 - Supplier's name (i.e. your name);
 - GST inclusive price or fee amount, GST amount and total;
 - The wording 'Tax Invoice';
 - Date of issue of invoice; and
 - A brief description of what you supplied.
- (b) For tax invoices for \$1,000 or more: -
- Same information as in 3.6(a), plus:-
 - Name of recipient (i.e. the name of your instructing solicitor, direct access professional or direct access client);
 - ABN or address of recipient; and
 - The extent of the services supplied. In the pro forma tax invoice time has been adopted as the appropriate measure.
- 3.7 Where your tax invoice includes some amounts that are subject to GST and some that are not subject to GST (e.g. fees rendered after 30 June 2000 for work done before and after that date) the tax invoice is required to identify the separate components.
- 3.8 (a) Where your tax invoice includes a charge, for a reimbursement for expenditure incurred by you, the GST paid by you on that expenditure should be claimed by you as an input tax credit.

(b) The item of expenditure (for which you are seeking reimbursement) should be included in your tax invoice. The amount included in your tax invoice will be the pre-GST amount of expenditure incurred by you, to which you will add the GST component. For example:-

- (i) If you expend \$1,000 on business accommodation plus \$100 GST, you will claim the \$100 GST as an input tax credit.
- (ii) When rendering your fee you will include only the \$1,000 for accommodation (not the \$1,100 paid, as you will have claimed back \$100 as an input tax credit).
- (iii) Your fee will then add \$100 GST on the \$1,000 accommodation reimbursement (refer to the pro forma tax invoice at Appendix A).

3.9 Interest received by you for the late payment to you under a fee agreement may be regarded as the provision of credit and would not be subject to GST. The de minimus provisions recently announced by the Government will not deny input tax credits for such a financial supply by a barrister.

3.10 Where the GST payable on your tax invoice is exactly 1/11th of the total price you need only state the GST inclusive amount with a note stating that the total amount payable includes GST. As this may be confusing to the recipient it is better to show separately the amount of GST payable.

4. QUARTERLY LODGEMENTS - BUSINESS ACTIVITY STATEMENT ('BAS')

A pro forma of the draft BAS and Calculation Sheet is attached as Appendix B.

4.1 (a) GST Information

The following GST data must be included in your BAS: -

- Income and other supplies
- Export supplies
- Other GST free supplies
- Amount of GST payable
- Capital acquisitions
- Other acquisitions
- Total acquisitions
- Amount of GST input credits to be claimed

(b) The GST information required to be included in your BAS must be prepared and lodged (and the GST paid) within 21 days of the end of the quarter. Members should review their current accounting systems to determine if it will provide the information accurately and on a timely basis. The accuracy of the information and the administrative costs of extracting the information on time are important considerations. Refer to Chapter 6 of this overview for observations relating to the impact of the GST on accounting requirements.

- (c) The ATO has announced a relaxation of the amount of information to be disclosed in the BAS and the Calculation Sheet. Taxpayers may fill in Items 1A (GST payable) and Item 1B (GST credits) directly from their records without reconciling using the Calculation Sheet. Items G1, 2, 3, 10, 11 and 12 on the Calculation Sheet still need to be completed for statistical purposes.
- (d) It is important to remember that the amounts to be included at Items G1, 2,3,10,11 and 12 are inclusive of GST and will require you to establish a system sufficient to aggregate amounts segregated for income tax purposes (see Chapter 6 on the impact on your accounting records).

4.2 (a) PAYG Information

The following PAYG information must be included in your BAS: -

- Total wages payments
 - Total tax withheld from wages
 - Total amounts withheld from payments to your suppliers where they failed to quote an ABN
 - Your instalment income and your instalment tax rate and the amount of your own PAYG tax instalment
 - Fringe benefits tax instalment and estimated fringe benefits for the year.
- (b) The PAYG information required (moving from ATO assessed provisional tax instalments to self assessed PAYG instalments on actual income) coupled with GST information reporting requirements may put a strain on your accounting system and administrative staff. Chapter 6 of this overview addresses the combined considerations of the PAYG and GST on accounting and reporting requirements.

5. NEW PAY AS YOU GO ('PAYG') TAX SYSTEM

- 5.1 The PAYG system, to be introduced on 1 July 2000, replaces 'provisional tax', 'prescribed payments', 'withholding tax' and 'company instalment' collection systems. All collections will now be based on actual figures. The adoption of current figures will result in additional administrative accounting work, and it may result in cash flow strains in the changeover period.
- 5.2 References to the PAYG system, in this overview are, predominantly, related to its operations in replacing the provisional tax system.
- 5.3 Collections of PAYG for the year ending 30 June 2001 (commencing 1 July 2000) will be calculated, each quarter, as follows: -
- (a) Your gross income tax for the year ended 30 June 1999 will be expressed as a percentage of your gross income (before expenses) for the year ended 30 June 1999. This percentage is referred to as your 'applicable instalment rate'. The ATO will issue you with a notice of this rate.

- (b) At the end of each quarter, when preparing your BAS, you will apply your notified applicable instalment rate to your actual gross income received for the quarter just ended. The amount so calculated is your quarterly 'PAYG' income tax instalment, and it is this amount that must be remitted to the ATO within 21 days of the end of the quarter (subject to transitional provisions).
- (c) You are entitled to apply to have your applicable instalment rate reduced (a similar process to currently varying your provisional tax instalments). To vary the PAYG instalment, however, you must have regard to your estimated income and expenses for the full year; you cannot vary the amount merely because you incurred higher than normal expenses in the quarter under review. This could result in strains on your cash flow, particularly if your monthly practice income is lower than your annual monthly average income, in the first few months of the financial year.
- (d) When you lodge your income tax return for the year ended 30 June 2001 you will receive an assessment, as normal, with a credit for the PAYG instalments you paid throughout the year. The lodgement of your income tax return will also result in the ATO recalculating your applicable instalment rate.
- (e) It is possible that the ongoing monitoring of your PAYG instalments could prove to be more difficult than accounting for GST. Forward planning and liaising with your accountants is strongly recommended.

5.4 The PAYG system may also have other impacts on your operations: -

- (a) The users of services are obliged to withhold 48.5% of the payment if the supplier does not disclose his ABN on the supplier's invoice. The withholding is an obligation of the payer. You should ensure all of your suppliers' invoices quote an ABN or you will be obliged to withhold 48.5% and remit it to the ATO.
- (b) In the case that you do not have an ABN by 1 July 2000, your solicitors, direct access professionals and direct access clients will be obliged to withhold 48.5% of your tax invoice amounts and forward them to the ATO on your behalf.

6. GST AND PAYG IMPACT ON YOUR ACCOUNTING RECORDS

6.1 General

- (a) Barristers currently use various methods of accounting records, predominantly to measure the results of their business activities and for income tax purposes. These records include handwritten, word processing, spread sheets and computerised systems or a combination of these methods.

- (b) The quarterly reporting and remittance requirements of GST and PAYG on the one BAS to be lodged with payment 21 days after the end of the quarter (subject to concessions under the transitional provisions - see Chapter 12 of this overview) is likely to put a strain on practitioners and employees where very simple records are maintained.
- (c) Whilst a current simple accounting system (with modifications) may be able to cater for the introduction of the GST and PAYG reporting requirements of your quarterly BAS you should consider your options: -
 - (i) Maintain and modify your existing manual system to separate the GST components of each receipt and each payment. Your quarterly BAS will be required to be prepared manually with necessary manual calculations and work papers required to support the BAS data. This option may require assistance from your accountant to ensure accurate identification of the necessary figures, however ongoing staff time may increase in day to day and quarter-end accounting for BAS.
 - (ii) Update your existing computerised system through your software supplier or by self upgrade if you use a self developed system. These upgrades should identify and report at each quarter end the information required for your BAS.
 - (iii) Replace your existing system with a simple computerised accounting program that provides the necessary quarterly information for GST and PAYG with a minimum effort in completing the BAS. This process will, despite ongoing benefits, involve the time, cost and effort of setting up a new system. Over a long period of time, the initial set up costs should be far outweighed by the ongoing savings and administrative benefits.
 - (iv) This overview cannot possibly recommend the appropriate option for each barrister; the options are designed to assist you in determining your appropriate recording system. The experience in New Zealand, however, was that the improvement in accounting systems provided benefits to businesses and professionals from ongoing savings and a much better knowledge of operating results, forecasting future income tax liabilities, etc.

6.2 GST Accounting Matters to Consider

- (a) Your accounting system needs to identify (on a quarterly basis, at least) the amounts of GST you paid out on expenditure. It is not likely to simply be a matter of taking your total business expenditure and taking 1/11th of those total payments to calculate the quarterly GST component: -

- (i) Not all payments will include GST (e.g. wages, employee group tax, superannuation contributions, interest charges, hire purchase payments, income tax payments, personal drawings and personal expenses).
 - (ii) Some payments that include GST may be part business and part private (e.g. motor vehicle expenses, travel, home office expenditure, etc). The business proportion, only, of these GST payments requires identification.
 - (iii) Payments for equipment and capital expenditure will include GST and those items are required to be separately identified on the quarterly BAS.
- (b) Your accounting system needs to identify (on a quarterly basis, at least) the amounts of GST you receive and deposit into your account. It is not likely to simply be a matter of taking 1/11th of the total deposits to calculate the quarterly GST component: -
- (i) Not all deposits will include GST (e.g. personal contributions, non-business deposits, tax refunds, bank loan deposits, interest received, etc).
 - (ii) Some deposits may relate to the sale of 2nd hand business equipment; the GST component of these deposits is required to be shown separately on the BAS.
 - (iii) Some post 30 June 2000 deposits may relate to pre 1 July 2000 supplies; relating to the transitional provisions (in full or in part) and these deposits should be segregated as GST does not apply to these deposits.
- (c) The current ATO draft BAS (Appendix A) provides for the inclusion of income and expenditure totals (which includes the GST component); these amounts are then divided by 11 to determine the GST payable or refundable. An administrative problem has been identified, in that your accounting system or GST procedures will involve separating the GST components from your revenue receipts and expenditure payments, whilst the BAS requires you to report some figures as GST inclusive (i.e. G1, G2, G3, G10, G11 and G.12).
- (i) To ensure easy grossing up of revenue and expenditure to include GST for your BAS, it may be appropriate to consider separately recording the GST on income, the GST on expenses, and the GST on sales and purchases of capital equipment. Where these GST components are not segregated,

considerable administration time could be incurred at the end of each quarter in determining these amounts. Where you maintain a general ledger, it merely involves the opening of separate GST clearing accounts for each of the aforementioned components (to complete your BAS). The balance of each of these clearing accounts, at quarter end, can then be transferred to a 'GST payable' account; the balance of this account will be the amount of GST payable and the account to which the GST cheque payment is debited.

6.3 PAYG Accounting Matters to Consider

- (a) The new PAYG system (refer Chapter 5 of this overview) replaces the current provisional tax system. The main difference is that you will be paying current year income tax instalments based on your actual current year receipts (on a quarterly basis) as opposed to the current provisional tax system that required you to pay amounts predetermined by the ATO based on your last lodged income tax return. Accordingly, you will no longer receive a provisional tax instalment notice; you will have to calculate your own payment, based on your actual receipts for that quarter. You will not be able to 'approximate' your income, as the deposit figures entered onto your 4 quarterly BAS lodgements will have to agree with that year's income tax return, when it is lodged.
- (b) Where your deposits increase, your PAYG instalments will also increase proportionately. (Even if your net profit has not increased).
- (c) You are entitled to reduce your instalments, however, where your revenues or your overheads change and your annual tax bill (as a percentage of gross revenue) will be less than the rate of the previous year. To determine this position, you will: -
 - (i) Need to update your accounting records for each quarter in respect of revenues received and expenses paid and incurred.
 - (ii) Need to forecast results to year-end to determine if your tax rate (as a % of gross revenue) will vary from the previous year (i.e. if that rate will be less than your current 'applicable instalment rate').
 - (iii) Need to liaise with your accountant to determine the amount payable and the ability to vary the tax rate applied to your quarterly gross deposits.
 - (iv) Be required to do this within 21 days of the end of the quarter (whilst you are also calculating the correct amount of GST to pay on the same date).

- (d) This system not only applies to self-employed professionals, but all businesses, including companies. Penalties will apply for late payments and incorrectly varied PAYG instalments. Virtually all accountants' clients (other than salaried employees) will be required to adopt this system and your strained administrative resources (due to the tight timeframe) will most likely be replicated throughout the accounting firms of Australia.
- (e) Many taxpayers will be forced (again, the experience in New Zealand) to move to an 'off the shelf' accounting software package to enable the correct decisions and payments to be made within the time constraints imposed. Accounting records will have to be kept up to date (preferably weekly).
- (f) Accountants' resources are already stretched due to GST, new 1997 Tax Act, Ralph Reform, deemed dividend legislation, taxing trusts as companies, CLERP, etc, etc. PAYG calculations and deadlines are likely to further strain accountants' resources to the extent that those businesses that do not have up to date, reconciled and informative data will be unable to meet the deadlines or calculate correct instalments, resulting in penalties and possible cash flow implications.

7. IMPORTS AND EXPORTS

- 7.1
 - (a) Where you import goods that would not have been GST-free or input taxed if supplied in Australia you pay GST on entry unless the entry is a non-taxable importation. These include goods that are duty free under customs laws.
 - (b) Separate rules apply to the importation of things other than goods (e.g. professional services and rights over intellectual property). Under these special rules, the Australian recipient of the supply (if registered for GST) will be required to pay GST (not the overseas supplier). The supply is not a taxable supply, however, to the extent that it is GST-free or input taxed (e.g. the imported service is a financial supply).
- 7.2 Export supplies are GST free; subject to certain requirements.
 - (a) Where you appear in a foreign court or advise or take a statement overseas for a non-resident, and such services do not relate directly to goods or real property in Australia, then such supply is GST-free.
 - (b) Where you provide advice from Australia to a non-resident who is not present in Australia at the time of the advice and the advice does not relate directly to goods or real property in Australia, the supply is GST-free.
 - (c) If you are instructed by an Australian solicitor (on behalf of the non-resident) to provide advice from Australia this will not be regarded as an export supply by you because the recipient of the advice is an

Australian resident. The advice will be a taxable supply and subject to GST.

8. RENDERING FEES AND INCURRING EXPENDITURE

8.1 Rendering Fees

- (a) You are not initially obliged to issue a 'tax invoice', however you are obliged to issue a 'tax invoice' within 28 days of a request from a solicitor, direct access professional or direct access client. The administrative costs of issuing invoices which are not 'tax invoices' and re-issuing 'tax invoices', when requested is likely to result in duplication of administrative costs and expose you to penalties if you overlook a request for a 'tax invoice'. Ensuring your original invoice is a 'tax invoice' would appear to be an obvious procedure.
- (b) The formatting of your self-printed or externally printed invoices can contain the bulk of the information required for a 'tax invoice' (refer Chapter 3-3.6 of this overview for details of tax invoices) whilst the additional information required for insertion on each invoice is readily available (name and address of a solicitor, direct access professional or direct access client, amount of GST inclusive price, etc). Again, it would appear to be 'cost wise' and 'penalty wise' to issue all invoices as 'tax invoices' (refer Appendix A).
- (c) Memoranda of fees issued prior to 1 July 2000 (for services provided prior to that date) will not be subject to GST irrespective of whether you adopt a cash or accruals basis and irrespective of whether the payment is received by you after 30 June 2000 (refer Chapter 12 on GST transitional provisions).
- (d) Services provided prior to 1 July 2000, but invoiced after that date are not subject to GST. Record keeping should be maintained. Tax invoices for services provided straddling the 30 June cut off will need to be analysed (refer Chapter 12 on GST transitional provisions).

8.2 Incurring Expenditure

- (a) Where you incur business expenditure (on overheads and capital expenditure) after 30 June 2000, you will be charged GST by the supplier of the goods or services. You will be entitled to claim back the GST paid by you (by offset against the GST collected by you). You must have a 'tax invoice' from the supplier, and you must have paid the supplier if you account on a cash basis, to be entitled to claim the GST.
- (b) You are entitled to demand a tax invoice from your supplier and it must be supplied within 28 days; withholding payment of the account may, in appropriate circumstances, assist in receiving your 'tax invoice'.
- (c) You can only claim back the GST input credits in respect of business expenses; where an item of expenditure has a non business proportion,

the relevant non-business proportion of the GST cannot be claimed (refer Chapter 16 of this overview in respect of anti avoidance provisions).

- (d) Where your GST input credits exceed your GST collections from solicitors, direct access professionals or direct access client, you are entitled to a refund. Whilst this may not seem to be a common occurrence, a refund could occur in a period of low receipts from clients coupled with expenditure on capital items, such as the purchase of a commercial property (but not shares), business equipment, etc.
- (e) GST on equipment acquisitions (via purchase or hire purchase) is claimed at time of purchase. GST on leased assets is claimed over the period of the lease (i.e. 1/11th of each lease payment).
- (f) GST does not apply to superannuation contributions.
- (g) In Victoria, as from 1 July 2000, the commission charged by Clerks on fee receipts will include GST irrespective of whether the fee received originally contained GST. However, the commission rate will vary depending upon whether or not the barrister's service being paid was provided before or after 1 July 2000. The normal rate of commission will apply to receipts for barristers' services provided on or after 1 July 2000 – those barristers' fees would have included GST. For services provided by barristers prior to 1 July 2000 the normal commission rate plus an allowance for GST will apply. The use of two rates is necessary because the Clerks will pay GST on all commissions received after 30 June 2000.

9. **IMPACT ON BUSINESS STRUCTURES**

9.1 The introduction of GST will also make it necessary to review the method of collecting and paying GST amongst various structures that are currently used by barristers.

9.2 Common structures used, in respect of chambers' operations are: -

- (a) Trusts/Companies
- (b) Joint Expenditure Arrangements

9.3 Trusts/Companies

- (a) Where a barrister's chambers services are provided by a trust or company, this entity will be required to obtain an ABN and register for GST (providing its revenue exceeds \$50,000).
- (b) Monthly charges by these entities to barristers will be subject to GST and the entity will be required to lodge its BAS and remit the appropriate amount of GST.

- (c) The GST paid by barristers, on these charges, can be claimed back as an input credit in the barrister's BAS. Accordingly, the net position will be no cost; administrative costs will be involved.

9.4 Joint Expenditure Arrangements

- (a) Many barristers have floor arrangements or individual arrangements with other floor members to 'share expenses'. The GST position in respect of these arrangements is clouded and will depend on the actual basis of such arrangement (i.e. the facts of each case). The GST legislation requires registration for 'an enterprise' with annual turnover exceeding \$50,000. The first matter to be determined is whether your expense sharing arrangement constitutes an enterprise or not.
- (b) The facts, terms and documentation in respect of expense sharing arrangements will be relevant in determining whether or not such relationship constitutes an enterprise.
 - (i) Where an arrangement involves substantial joint expenditure, numerous staff, substantial joint equipment, etc, there could be an argument that such a relationship constitutes an 'enterprise' for GST purposes.
 - (ii) Some arrangements (for example sharing staff) involve only one member being registered with the ATO as the group employer (the ATO does not appear to accept two persons as a group employer unless registered as a partnership). There could be an argument that the member who is registered as the group employer with the ATO is conducting the enterprise (as part of his or her practice) and 'supplying' services to his or her fellow floor members, which would be subject to GST.
 - (iii) Barristers who wish to maintain an expense sharing arrangement that is not deemed an 'enterprise' (which may require GST registration in its own right) should consider documenting the terms of the arrangement to demonstrate it is only a sharing of expenses and not one member providing a supply (subject to GST) to the other member (e.g. the group tax registration is in the name of a nominee only, etc). A sharing arrangement by an individual should not constitute an enterprise where there is not a reasonable expectation of profit or gain. Barristers contemplating these arrangements must seek advice from their own lawyers or accountants. Refer to the disclaimer in respect of this overview.
 - (iv) Where a 'sharing of expenses' only relates to employee wages and superannuation, there would appear to be no GST implications, as GST does not apply to wages or superannuation. Where, however, other expenses are shared and GST is charged by the supplier (e.g. stationery supplies, reporting services, consultant's fees, etc) the invoice from the supplier will have to be rendered to a GST registered entity (in the form of a 'tax invoice') if you desire to claim back the

GST input credits. This will cause accounting complications between the sharing barristers, as only one member will receive the benefit of the input tax credits on shared expenditure (unless the supplier is willing to issue fractional tax invoices to each floor member).

- (v) Some barristers utilise the services of a service entity (trust or company). The income tax aspects of such entities are not affected by GST. The service entity will be required to charge GST on its service charges, register for GST and lodge a BAS. The barrister, (registered for GST) however, will be entitled to claim the GST on the service charge as an input credit on the barrister's BAS.
- (vi) The service entities utilised by some barristers also provide services to (or share expenses with) other floor members. The shared expenses contribution paid to the service entity could be deemed payment for a supply and subject to GST. The actual basis of the arrangement (and documentation relating thereto) will determine if the arrangement is a supply (subject to GST) or a sharing arrangement. In the case that the arrangement is subject to GST, whilst the service entity will be obliged to charge and remit GST on any supply, the paying floor members will be entitled to claim back the same amount as an input credit.

9.5 Grouping

- (a) The GST legislation provides for 'grouping' of entities (companies, trusts, partnerships, superannuation funds and some individuals) to minimise administrative work and costs. These provisions are somewhat complicated but, prima facie, quite liberal for closely held family entity groups and corporate groups. It is not possible, in this overview to cover all possible grouping scenarios that may impact on Barristers; individual advice should be obtained in respect of grouping provisions.
- (b) The grouping provisions allow for one BAS to be lodged on behalf of all entities in the group, and exclude inter-entity group transactions from GST.
- (c) Each entity in a GST group must be registered for GST, and cannot belong to more than one GST group.

10. **INTERRELATIONSHIP WITH FRINGE BENEFITS TAX**

The fringe benefits tax provisions have also been altered to capture the potential revenue loss where an employer provides a benefit containing GST that would otherwise have been a (non-creditable) GST cost of the employee. Payment by the employer could have resulted in the GST being claimed by the employer, resulting in a loss of 'personal' GST revenue by the government. To counter this loss, the proposed fringe benefits gross up factor has been increased to 2.129109 where it

applies to fringe benefits including a GST factor. This will result in 2 classes of fringe benefits; those involving GST and those that are GST free or input taxed.

GST will also apply where an employee makes a contribution or payment towards the cost of a fringe benefit (i.e. an amount of 1/11th of the contributed amount).

11. BUSINESS ISSUES THAT COULD IMPACT

- 11.1 Cash flow problems could arise for those adopting accrual accounting (i.e. GST payable to ATO before client has paid). A large service entity, for example, may currently prepare its income tax accounting records on an accruals basis, but be entitled to account for GST on a cash basis. Preparation of the BAS to extract the GST cash information from an accruals based system will require a degree of reconciliation.
- 11.2 Quoting of fees must be a GST inclusive price. (You may, however, identify the GST component of your estimated fees).
- 11.3 Price setting safeguards exist to ensure no profiteering from the introduction of GST; price increases need to be supported by calculations (refer to Chapter 16 on profiteering provisions).
- 11.4 Some barristers are opening separate bank accounts to deposit the amount of GST collections (a separate account for regular income tax savings has also proven to assist barristers in their planning).
- 11.5 Contact major suppliers of goods and services to ensure tax invoices will be issued.
- 11.6 Where you have a business insurance policy and you are registered for GST (or required to be registered for GST) you are required to notify the insurer, at or before the time the policy was supplied, of your entitlement to claim an input tax credit in respect of the premium and the extent of that claim. Failure to make such notification will result in any proceeds from an insurance claim being treated as a taxable supply to the extent of your entitlement to the input tax credit. Refer to Chapter 12.7, Transitional Provisions, as similar notices are required to be sent to your insurers before 30 June 2000.

12. TRANSITIONAL PROVISIONS

- 12.1 Contracts or arrangements for supplies covering a period commencing before 1 July 2000 and ending after that date are covered by the transitional provisions.
- 12.2 (a) Where a barrister provides services for a period spanning 1 July 2000, the services provided prior to 1 July 2000 will not be a 'supply' for GST purposes (and not subject to GST); the supply of services, provided on or after 1 July 2000 will be subject to GST. Where a retainer or fee agreement does not provide for the barrister to add GST after 1 July 2000, the barrister will still be liable to remit 1/11th of the receipt as GST unless the fee agreement or retainer was in writing and preceded 8 July 1999. It may be appropriate to renegotiate retainers and fee agreements before 1 July 2000. It would be appropriate to

have records to identify that work which was completed before 1 July 2000. Whenever possible memoranda of fees should be issued for work done up to and including 30 June 2000.

- (b) Where a retainer or fee agreement relates to a period of time this is known as 'progressive supply'; the pre and post GST components are calculated on a time basis.
- 12.3 Tax invoices or memoranda of fees rendered, or receipts, post 30 June 2000 in respect of services provided prior to 1 July 2000 are not subject to GST. Where a tax invoice relates to services ('supply') provided both before and after 30 June 2000, the tax invoice will need to identify the proportion of the supply that is subject to GST, and the GST component.
 - 12.4 Input tax credits are not available in respect of business motor vehicle acquisitions to 30 June 2001. 50% of input tax credits are available after 30 June 2001 and 100% for acquisitions from 1 July 2002, to the extent the vehicle is used for business.
 - 12.5 There are a number of transitional provisions that may not directly relate to barristers' practices, but may be relevant to a barrister's 'GST knowledge' (refer to Chapter 12 on other matters).
 - (a) Acquisition of new residential properties (and the 'margin scheme')
 - (b) Acquisition of new and existing non residential properties (and the 'margin scheme')
 - (c) Commercial lease arrangements
 - 12.6 The lodgement and payment of GST has a '3-2-1' transitional concession; extension of 3 weeks for first return, 2 weeks for second return and 1 week for third return. Lodgements and payments, thereafter will be due 21 days after the month or quarter end, whichever is applicable.
 - 12.7 Where you have paid a business insurance policy premium prior to 30 June 2000 and the period of cover extends past that date, you must notify the insurer, before 30 June 2000 of your entitlement to claim GST input tax credits in respect of that premium; failure to make such notification will result in the insurer withholding 1/11th of any claim proceeds made under that policy after 30 June 2000 to the extent of the entitlement to claim GST input credits.

13. OTHER MATTERS (NON PROFESSIONAL INCOME)

- 13.1 (a) Barristers who own or propose to acquire (by purchase) professional chambers, in many cases, will not be affected by GST, as many chambers 'acquisitions' involve share acquisitions and share transactions are not subject to GST (subject to an important exception at 13.1. (b)). Acquisitions of units in unit trusts are, similarly, not subject to GST. Trust distributions received, dividends received and interest received are, similarly, not subject to GST.
 - (b) The GST legislation contains provisions to deal with land use entitlements. The legislation provides that a right to receive a

taxable supply is not a financial supply. If a share confers a right to a commercial lease it confers a right to receive a taxable supply and ceases to be a financial supply and GST will apply to the share acquisition.

- 13.2 (a) Acquisitions of non-residential income producing properties are subject to GST. Whilst a purchaser is not required to register for GST (if non residential rental income is less than \$50,000 per annum) the purchaser, if not registered for GST at the time of acquisition, will forfeit the right to claim the GST input tax credit on the purchase price of the property acquisition. It would also appear that where a purchaser of a commercial property (who is registered for GST) acquires the property from a vendor who is not registered for GST, the purchaser may not be able to be issued with a 'tax invoice' by the (unregistered) vendor; again denying the purchaser the right to claim the GST input tax credit in respect of the purchase price. There is some confusion in respect of whether or not the owner of a commercial property is liable to register for GST (where his or her annual turnover is less than \$50,000) where an impending sale of a commercial property will be in excess of \$50,000. A GST ruling is to be issued.
- (b) Where a barrister purchases a chambers lease, such transaction will be subject to GST; barristers will be entitled to the input tax credits, providing they are registered for GST at the time of the transaction.

Where a barrister sells a chambers lease, this transaction will also be subject to GST. The sale of business second hand equipment, library, furniture, etc is also subject to GST.

- 13.3 Rental from residential properties is not subject to GST (it is input taxed) and you cannot claim the GST component of expenditure in respect of residential rental properties (e.g. managing agent's fees, repairs, etc).
- 13.4 Rental from non-residential properties is subject to GST and the GST component of expenditure in respect of these rental properties can be claimed as input credits.
- 13.5 GST is also charged on the purchase price of non-residential properties (some initial transitional relief is available from the, optional, margin scheme). The margin scheme allows entities to calculate their GST liability as 1/11th of the difference between the tax inclusive sale price and the original purchase price paid or a valuation of the property where it was held before 1 July 2000.

GST also applies to new residential property, not having been previously occupied, or a property 'substantially renovated' by a builder or developer.

Where the purchaser or vendor of a commercial property is not registered for GST at the time of the purchase (and the margin scheme has not been adopted or cannot be adopted), the purchaser is likely to forfeit the right to claim the GST component of the purchase price as an input credit.

It should be noted that where a taxpayer is registered for GST and acquires a commercial property under the margin scheme, the (reduced) amount of GST cannot be claimed. Where the margin scheme is not adopted the registered

taxpayer can claim the full amount of GST, providing the vendor is also registered. The stamp duty implications of the purchase also need to be considered when determining whether to adopt the 'margin scheme' or not, as stamp duty is levied on the GST inclusive price.

14. CHECKLISTS

Attached as Appendix C are some simple checklists to assist you in identifying matters for your consideration and action to be taken. The lists are intended as a guide and are not designed to replace proper professional advice.

The checklists are: -

1. ABN and GST Pre Registration Checklist
2. ABN and GST Checklist
3. ABN and GST Post Registration Checklist

The checklists may also be of assistance in identifying matters to raise with your staff and your accountants and other appropriate professional advisers.

The ATO has indicated it will be conducting a substantial audit programme to ensure initial compliance. These audits are expected to be brief, where the taxpayer can demonstrate an understanding of the requirements and disclose apparent compliance. The existence of completed checklists, appropriate stationery and up to date appropriate accounting records should assist in keeping any initial ATO audit functions to a minimum.

15. SOME GST AND PAYG LEGISLATION REFERENCES

15.1 GST

- A New Tax System (Goods and Services Tax) Act 1999
- A New Tax System (End of Sales Tax Act) 1999
- A New Tax System (Goods and Services Tax Imposition - Customs) Act 1999
- A New Tax System (Goods and Services Tax Imposition - Excise) Act 1999
- A New Tax System (Goods and Services Tax Imposition - General) Act 1999
- A New Tax System (Goods and Services Tax Transition) Act 1999
- A New Tax System (Luxury Car Tax) Act 1999
- A New Tax System (Luxury Car Tax Imposition - Customs) Act 1999
- A New Tax System (Luxury Car Tax Imposition - Excise) Act 1999
- A New Tax System (Luxury Car Tax Imposition - General) Act 1999
- Taxation Administration Act 1953 (extracts)
- Trade Practices Act 1974 (extracts)
- A New Tax System (Wine Equalisation Tax) Act 1999
- A New Tax System (Wine Equalisation Tax Imposition - Customs) Act 1999
- A New Tax System (Wine Equalisation Tax Imposition - Excise) Act 1999
- A New Tax System (Wine Equalisation Tax Imposition - General) Act 1999

- A New Tax System (Wine Equalisation and Luxury Car Tax Transition) Act 1999

15.2 PAYG

A New Tax System (Pay As You Go) Act 1999

16. **NON COMPLIANCE, ANTI AVOIDANCE AND PROFITEERING PROVISIONS**

16.1 Non Compliance

The legislation provides penalties for, inter alia,

- Late payments
- Failure to register
- Failure to issue tax invoices
- Failure to give information, and making false statements

16.2 Anti Avoidance Provisions

The GST Act contains wide anti avoidance provisions where an entity obtains a GST benefit from a scheme. The definition of 'scheme' is very wide.

Deferral of payment of GST and obtaining an early refund of GST are also included as GST benefits under the anti avoidance provisions, as are arrangements to reduce GST or increase input tax credits.

16.3 Profiteering Provisions

The Trades Practices Act, 1974, was amended to give the ACCC powers to monitor prices for the 3 years after the introduction of GST and to investigate allegations of profiteering and price fixing. Prosecution can result in maximum penalties of \$10,000,000 for corporations and \$500,000 for other parties. A New Tax System Price Exploitation Code has also been included in the Schedule to the Trades Practices Act, to enable the Code to be adopted by States and Territories. In New South Wales it will, no doubt, be incorporated into the Fair Trading Act 1987.

An enterprise may adjust its prices for the net effect of the new tax system. In doing so it must pass on any savings resulting from the new tax system and it must not increase its net dollar margin. The net cost of the new tax system is composed of the following elements:

- The additional cost of the GST to be paid on taxable supplies by registered enterprises;
- The savings resulting from lower business input costs due to the reduction or elimination of various taxes and government charges; and
- The additional cost of compliance with the new tax system.

The cost structures of barristers' practices vary depending upon factors such as the size of the professional library maintained by the barristers, the size of

the barristers' chambers, the location of the chambers, the extent to which a motor vehicle is necessary to carry out the practice, and whether or not a secretary is employed. The extent of the cost savings arising from the new tax system will therefore vary between barristers.

The level of fees generated by barristers varies due to factors such as the area of law in which the barrister practices and the level of experience and skill of the barrister.

Barristers should consider the net effect of the new tax system on their fees in order to determine the extent to which fees should be increased as from 1 July 2000 without contravening the price exploitation guidelines.

Because the major input costs to a barrister's practice such as salary and wages, books and journals and bank interest and charges will not be reduced due to the reduction or elimination of various taxes, a 10% increase in fees will in most cases be justified.

APPENDIX A (TAX INVOICE)

Selborne Chambers
 174 Phillip Street
 SYDNEY NSW 2000

TAX INVOICE

To: Smith & Brown
 Solicitors
 MLC Centre
 Castlereagh Street
 * SYDNEY NSW 2000

RE: JONES -v- PETERS

Fee Agreement 28.06.00: Estimate \$2,800.00 + reimbursements

Date	Particulars	Time Hrs	Amount \$
07.07.00	Fee on Brief on application in Federal Court in Brisbane, including preparation	07.00	2,450.00
	Reimbursement of travel and Accommodation expenses		<u>1,000.00</u>
			3,450.00
	GST		<u>345.00</u>
			<u>\$3,795.00</u>

Betty Barrister
 ABN: 12 345 678 910
 8 July 2000

* It is only necessary to show the address or the ABN of the recipient of the supply.

APPENDIX B (BUSINESS ACTIVITY STATEMENT)

Betty Barrister
 Selborne Chambers
 174 Phillip Street
 Sydney NSW 2000

When completing this form please use a **BLACK pen only.**



Document identification number

A1 12 123 123 123

Australian Business Number

A2 12 345 678 910

Period covered by this statement
 from to

A3 01/07/2000

A4 30/09/2000

This statement is due on

Amount payable is due on

A5 10/11/2000

A6 10/11/2000

DRAFT

Business Activity Statement Use the *Business Activity Statement Instructions* to complete this form.

Show whole dollars only.

DEBITS

CREDITS

Goods and services tax payable 1A \$ 1 1 0 0 0

Credit for goods and services tax paid 1B \$ 3 9 5 0

Wine equalisation tax payable 1C \$

Wine equalisation tax refundable 1D \$

Luxury car tax payable 1E \$

Luxury car tax refundable 1F \$

Credit for wholesale sales tax 1G \$

Add 1A + 1C + 1E 2A \$ 1 1 0 0 0

Add 1B + 1D + 1F + 1G 2B \$ 3 9 5 0

2A minus 2B GST net amount 3 \$ 7 0 5 0 *If the result is positive, this is your net amount of GST. If the result is negative, this is your net amount of GST credit.*

Pay As You Go withholding 4 \$ 3 5 5 0

Credit arising from reduced Pay As You Go instalments 5B \$

Pay As You Go instalment 5A \$ 2 5 9 6 0

Credit arising from reduced fringe benefits tax instalments 6B \$

Fringe benefits tax instalment 6A \$

Deferred company/fund instalment 7 \$

Add 2A + 4 + 5A + 6A + 7 8A \$ 4 0 5 1 0

Add 2B + 5B + 6B 8B \$ 3 9 5 0

8A minus 8B Net amount for this statement 9 \$ 3 6 5 6 0 *If the result is positive, the amount is payable to the ATO. If the result is negative, the amount will be refunded to you or offset against any other tax debt you have.*

Declaration:

I declare that the information given on this form is accurate and complete, and that I am authorised to make this declaration. The tax invoice requirements have been met.

Signature **B.Barrister** Date **17 / 10 / 00**

Please return this completed form to

Australian Taxation Office
 Private Bag 6007
 ALBURY NSW 2640

Please provide an estimate of the time taken to complete this form.

hrs 2 mins 15

The ATO is authorised by the tax laws to collect this information to administer those laws and may pass information to other government agencies.



PAYMENT ADVICE - 60

0000 0156 03

Betty Barrister

12 345 678 910

\$ 36560.00

Australian Taxation Office
 Private Bag 6007
 ALBURY NSW 2640

EFT code 97999 999 999 9360



<979999999999> < > < 000000> 15600< >

DRAFT - Calculation Sheet - Show whole dollars only.

Goods and services tax for the period 01/07/2000 to 30/09/2000

Supplies you have made

GST accounting method		Non-cash (accruals)						
Total sales & income & other supplies	G1 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
GST-free supplies	Exports	G2 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Other GST-free supplies	G3 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Input taxed sales & income & other supplies	G4 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Add G2 + G3 + G4 This is the total of your GST-free and input taxed supplies.	G5 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
G1 minus G5 This is the total of your taxable supplies.	G6 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
Adjustments	G7 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
Add G6 + G7 This is the total of your taxable supplies after adjustments.	G8 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
Divide G8 by eleven	G9 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	

The amount at G9 is your GST payable, transfer this amount to 1A on the front.

Acquisitions you have made

Amounts at G1, G7, G10, G11, G13, G15 & G18 are GST-inclusive.

Capital acquisitions	G10 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other acquisitions	G11 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Add G10 + G11 This is the total of your acquisitions.	G12 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Acquisitions for making input taxed sales & income & other supplies	G13 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Acquisitions with no GST in the price	G14 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total of estimated private use of acquisitions + non-income tax deductible acquisitions	G15 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Add G13 + G14 + G15 This is the total of your non-creditable acquisitions.	G16 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
G12 minus G16 This is the total of your creditable acquisitions.	G17 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Adjustments	G18 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Add G17 + G18 This is the total of your creditable acquisitions after adjustments.	G19 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Divide G19 by eleven	G20 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

The amount at G20 is your GST credit, transfer this amount to 1B on the front.

Pay As You Go withholding for the period 01/09/2000 to 30/09/2000

Total of salary, wages and other payments	W1 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Amounts withheld from salary, wages and other payments	W2 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Amounts withheld from investment distributions where no TFN is quoted	W3 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Amounts withheld from payment of invoices where no ABN is quoted	W4 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Add W2 + W3 + W4 and write the amount at 4 on the front.

Pay As You Go instalment for the period 01/07/2000 to 30/09/2000

Instalment income	T1 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>						
	T2 23.6 %												
	New varied instalment rate	T3 <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	%	Reason for variation	T4 <input type="text"/>					

Once you have worked out your Pay As You Go instalment using the instructions, write this amount at 5A on the front.

Fringe benefits tax instalment for the period 01/07/2000 to 30/09/2000

ATO-calculated fringe benefits tax instalment	F1 \$	<input type="text"/>											
Estimated total fringe benefits tax payable	F2 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Varied fringe benefits tax instalment	F3 \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Reason for fringe benefits tax variation	F4	<input type="text"/>	<input type="text"/>									

Transfer your fringe benefits tax instalment to 6A on the front.

Aust Post Use

Payments can be made by direct credit; BPAY; direct debit; at Australia Post or by mail. For details refer to your activity statement instructions.

APPENDIX C (CHECKLISTS)

ABN & GST Pre-Registration Checklist				
Name:		Prepared By:		
		Reviewed By:		
Question	Yes	No	N/A	Comment
<p>1. Are you carrying on an enterprise? <i>If yes, you need to register for ABN.</i></p>				
<p>2. Is the turnover (GST taxable supply + GST tax free supply, including non-cash consideration transactions over the registration threshold?) (\$50,000 for a profit making enterprise; \$100,000 for a non-profit enterprise?) <i>If you are to register, go to question 4</i> <i>If no, go to question 3</i></p>				
<p>3. If you do not reach the registration threshold, have you considered voluntary registration for GST? <i>If yes, go to question 4</i> <i>If no, complete the Office Checklist</i></p>				
<p>4. What is the basis for you to account for GST? - Cash basis? - Accrual basis? <i>Consider your reasons why cash or accruals is the best option</i></p>				
<p>5. Is your turnover (GST taxable supply + GST tax free supply) greater than \$1 million? (you cannot adopt cash without ATO consent or unless you account for income tax on a cash basis)</p>				
<p>6. Do you have a substituted accounting period? <i>If yes, you are a monthly remitter, go to 7</i></p>				
<p>7. Have you considered the cashflow and administration implications of: Adopting cash or accrual method for GST? Monthly or quarterly lodgement?</p>				
<p>8. Do you wish to register for Diesel Fuel Rebates?</p>				
<p>9. Do you wish to register for Diesel & Alternative Fuels Grants Scheme</p>				
<p>10. Have you checked the completed ABN/GST registration form?</p>				
<p>11. List any issues to be considered.</p>				
<p>12. Have you discussed these matters with your accountant? <i>Complete Office Checklist</i></p>				

ABN & GST Checklist			
Name:			
Question	Yes	No	Comments
<p>1. Are you registering for ABN?</p> <p>2. Are you registering for GST?</p> <p>3. Use cash method for GST?</p> <p>4. Use accrual method for GST?</p> <p>5. Monthly lodgement of BAS?</p> <p>6. Quarterly lodgement of BAS?</p> <p>7. Are you adopting grouping registration?</p> <p>8. Are you making input taxed supply for more than 10% of the turnover or \$500,000 whichever is lower? (if yes, apportionment basis)</p> <p>9. Who will be responsible for lodgement of ABN/GST registration?</p> <p>10. Who will be responsible for preparation and lodgement of BAS?</p> <p>11. Change over procedures to consider:</p> <ul style="list-style-type: none"> (i) WIP valuation at 30 June 2000 (ii) Commercial property valuation (iii) Review of leases and other long term contracts (iv) Pricing of services (v) Accounting system review (vi) Existing fee agreements <p>12. Administrative considerations:</p> <ul style="list-style-type: none"> (i) Accounting system (ii) Tax invoice format (iii) Printing stationery (tax invoice) (iv) PAYG income tax instalments and impact on cash flow (v) Do you have other entities for registration and BAS lodgements? 			

ABN & GST Post-Registration Checklist				
Name:				
Question	Yes	No	N/A	Comment
A. Registration 1. Have you received the registration details from the ATO? 2. Have you checked the registration details agreed with the form lodged?				
B. Staff Training Do you think that your staff have sufficient knowledge to handle GST? <i>Write your conclusion in details</i>				
C. Internal Controls 1. Do you think that your internal and accounting controls are sufficient for GST purposes? 2. Are you implementing any internal controls for GST? <i>Write your comments in details</i>				
D. Accounting System 1. What accounting system are you using? (i.e. including manual cash book) 2(a) If using manual system, are you considering use of a computerised system? (b) Is the system fully compliant with GST/BAS requirements? 3. Have you reviewed the system in general? 4. Have you set up the general ledger to facilitate GST and BAS requirements? 5. Do you or your staff have sufficient knowledge to operate the system?				
E. Fee Pricing 1. Are you aware of the pricing requirements and regulations? 2. Have you calculated any impact on pricing for post GST period?				
F. Cashflow 1. Have you considered any likely cashflow implications after the introduction of GST?				
G. Preparation of BAS 1. Who will be preparing BAS?				

