



GST – Getting it Right

Sales of most goods and services are subject to GST. Likewise, most purchases are subject to GST. However, there are some exceptions. The tricky bit is to figure out which sales are GST Free and which purchases are GST Free. No, we did not get a simple system with a 10% GST on everything. That would have made it too easy! What were they thinking?

Sales and purchases that are GST Free include items such as fresh foods, some health services (those covered by Medicare), education and child care, as well as goods and services provided by suppliers that are not registered for GST, both local and overseas.

Previously all payments for sales made overseas and purchases from overseas suppliers have been GST Free. This has been changing recently. Now many overseas suppliers are including GST in their invoices as required by the ATO, e.g. Google AdWords, Intuit. And more will follow.

If you want to claim back the GST paid on purchases made you are required to have records that clearly indicate that GST has been charged by an organization with a legitimate ABN. Sometimes suppliers charge GST when they are not registered. You can check ABNs on the ABN Lookup to see if they are in fact registered for GST. These can be paper or electronic receipts. And, if you have lost those little receipts (under \$82.50) do not stress – the ATO still allows you to claim GST on those, provided the supplies would have clearly included GST.

So, overall there is a basic distinction – sales and purchases either have GST or No GST.

If sales and purchases do not have GST, they could be shown as one of the following:

- GST Free
- Input-taxed
- BAS Excluded (that is, not shown in the BAS)

There is a lot of confusion about what is GST Free, what is Input-taxed and what is BAS Excluded. Even the ATO documents are not always clear and appear conflicting to established norms. For example, interest paid and bank fees have normally been considered as Input-taxed, and more recently as GST Free, but in a recent document, those items are listed as Out of Scope for BAS reporting or BAS Excluded, see Table 7 in [https://www.ato.gov.au/Business/Business-activity-statements-\(BAS\)/In-detail/Simpler-BAS-GST-bookkeeping-guide/](https://www.ato.gov.au/Business/Business-activity-statements-(BAS)/In-detail/Simpler-BAS-GST-bookkeeping-guide/)

Input-taxed

The category of Input-taxed is usually related to financial services and residential rentals. I have often wondered what this term really meant, trying to make sense of it. The penny dropped recently - essentially it is different from the normal GST Free in that you generally cannot claim GST paid for purchases relating to the sales. So, for example, for residential rental income, any GST paid on costs such as management fees, repair costs and the like are not claimable. That is, the inputs to earning the income are taxed, and you cannot get that tax (GST) refunded.

GST Free

With the development of the simpler BAS, the concept of Input-taxed does not seem so relevant. The recent ATO document lists three broad categories: GST, No GST and Out of Scope (BAS Excluded). Xero accounting software default chart of accounts has replaced Input-taxed with GST Free for accounts such as Bank Fees.

Probably the simplest way to manage items that have no GST is to figure out what is BAS Excluded, and then code the rest to GST Free (that is not bother making a distinction for input-taxed items).

BAS Excluded

Here is a simple list direct from the ATO. It is found in Table 7 which helps give clarity around what is BAS Excluded: ([https://www.ato.gov.au/Business/Business-activity-statements-\(BAS\)/In-detail/Simpler-BAS-GST-bookkeeping-guide/](https://www.ato.gov.au/Business/Business-activity-statements-(BAS)/In-detail/Simpler-BAS-GST-bookkeeping-guide/))

- Private expenses unrelated to your business

- Depreciation
- Dividends received
- Interest paid
- Fines
- Most Australian government taxes
- Bank fees and charges
- Principal payments on finance and loan interest
- Stamp duty
- Sale of your home (main residence)
- Superannuation
- Salary and wages
- Non-deductible entertainment expenses
- Donations

Further, we have included a table below for you to refer to for specific items.

GST Reference Table

(Note: this table is a work in progress)

Item	GST	GST Free	BAS Excluded	Other / Notes
GENERAL:				
Sales of goods and services by GST registered businesses	✓			
Sales of goods and services not subject to GST		✓		e.g. fresh foods
Sale of assets	✓			e.g. vehicles, equipment, computers
Sales to overseas – exports		✓		
Purchases with GST included in the price	✓			To claim GST, you must have valid Tax Invoice for all amounts over \$75 + GST (\$82.50)
Purchases with no GST included in the price		✓		
Purchases from a supplier not registered for GST		✓		
Loans, government taxes, and private transactions			✓	
SPECIFIC EXAMPLES:				
Amazon charges	✓			Since July 2017
ASIC charges		✓		
Bank account fees (not including merchant fees)			✓	Latest ATO notes have them as BAS Excluded
Charitable services		✓		May be exceptions
Childcare		✓		May be exceptions
Commercial rental	✓			
Council rates		✓		
Credit card fees (merchant fees)	✓			
ColInvest			✓	Similar to wages
Digital Currency purchases/sales		✓		As from 1 July 2017
Dividend income			✓	
Donations			✓	
Duty-free shop sales / purchases		✓		
Educational courses		✓		May be exceptions
Entertainment expenses	✓	✓	✓	Depends on circumstances - see additional notes below
Facebook Ads		✓		Not yet registered but may be soon
Financial loans and interest			✓	Principal repayments and interest paid
Financial sales such as shares		✓		
Fines			✓	

Item	GST	GST Free	BAS Excluded	Other / Notes
Foods - basic/fresh foods (e.g. fresh fruit, eggs, milk)		✓		
Foods – processed foods (e.g. biscuits, sandwiches)	✓			
Gift cards		✓		GST only applies when used for purchase
Google Adwords	✓			From Nov 2016
Gumtree ads		✓		
Healthcare and medical services		✓		GST Free where a Medicare benefit would apply. (GST may be payable for non-Medicare services).
Health Insurance		✓		
Imports that include GST in the price (over \$1,000)	✓			
Imports with no GST included (under \$1,000 in value)		✓		
Insurance - stamp duty portion			✓	
Insurance premiums	✓			Also see Life Insurance and Health Insurance
Interest paid			✓	Latest ATO document has BAS Excluded, but in the past usually treated as input-taxed or GST Free
Land tax			✓	
Life Insurance		✓		
LinkedIn ads	✓			Since Jan 2017
Loan interest			✓	
Motor vehicle registration		✓		
Motor vehicle insurance (on registration bill)	✓			
Motor vehicle insurance - stamp duty portion			✓	
PayPal Fees		✓		Similar to merchant fees, but not yet registered for GST (Mar 2018)
PAYG on wages (include at W2)			✓	
Precious metals		✓		
Private expenses or purchases			✓	
Residential rental		✓		This is 'input-taxed' – you cannot claim GST on inputs to this income, such as management fees, repair costs
Second-hand goods from GST-registered supplier	✓			Where GST is included in the price and invoice provided
Second-hand goods from private seller or non-registered supplier				Different rules apply re price (i.e. under or over \$300) and whether or not goods are for resale – see ATO
Stamp duty			✓	
Stripe fees	✓			
Superannuation			✓	

Item	GST	GST Free	BAS Excluded	Other / Notes
Telecommunications	✓			With exceptions – some services are GST Free
Transfers between bank accounts			✓	
Travel – domestic	✓			
Travel – international		✓		
Wages (include at W1)			✓	
Water rates		✓		

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GST credits on meals and entertainment

GST credits can only be claimed on 'entertainment' if it is a legitimate, tax-deductible expense. This mostly hinges on whether the occasion is for 'enjoyment' or not.

Deductible expense: where the 'entertainment' (such as refreshments or meals) is provided during business hours for a business purpose. For example, lunch for staff during the day or light meals provided at a business meeting. In these cases GST credits can be claimed.

Non-deductible: where the entertainment provided is for 'enjoyment'. Examples include an after-hours party, events where alcohol is served, and occasions where meals or refreshments cost more than \$300 per head. These should be coded to 'non-deductible expenses' and be BAS-excluded.