



## **GST Common Errors**

Quite often business owners and bookkeepers account for and report their GST activities incorrectly. Below are the frequent ones that are not given the attention they deserve:

- Businesses are either registered for GST under the cash or accruals basis. Applying the wrong method when completing the BAS will result in wrong reporting and create a mess that will make it very difficult at year-end to reconcile the BASs with revenue and expenses.
- Setting up the chart of accounts with the wrong tax codes will provide wrong outcomes.
- Many government grants include GST that must be reported in the BAS. Failing to do so, the revenue reported will be misleading.
- Failing to report GST on the purchase and sale of business assets such as plant and equipment including motor vehicles will again implies wrong outcomes.
- Small business operators may incur expenses that may incorporate a private component and it is vital to work out the business usage percentage and apply it when accounting for GST.
- Purchase of capital items such as P & E costing more than \$1,000 must be recorded in the relevant BAS label – G10 not G11.
- Bank fees can be general charges or merchant fees. The former is input-taxed and no GST to be claimed; only the latter has GST that can be claimed as input tax credit. It is also important to note the exception: PayPal is GST free whereas sWay is subject to GST. Similarly, interest income does not attract GST because it is input taxed sale.
- A tax invoice may include a mixture of GST free and GST-inclusive items. Motor vehicle registration is a good example, which is made up of three components – registration fee and stamp duty on insurance are both GST free. Transport accident commission charge is the only one that has GST.
- Luxury cars with a value above the threshold attract a tax of 33% (tax only applies to the portion of the car's value that is above the threshold, not the total value of the car). GST credit that can be claimed is only on that portion up to the limit allowed (threshold). It is important to know the rules of luxury cars in order to account for the GST properly.
- There is no GST on government's charges such as land tax, council rates, water rates, ASIC filing fees and insurance stamp duty.
- Fresh produce, fresh food, export, some health and educational items are all GST free.
- Recharge purchases for items such as Myki, CityLink tolls and mobile telephones are GST free. The GST is not accounted for until the recharge purchase is redeemed. Gift cards are the same.
- Wages, superannuation and donations are GST free.
- GST included in expenses related to residential properties cannot be claimed as input tax credit.

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**This article contains general information and should not be taken as an advice. The reader must not rely on such information as an alternative to an advice from an appropriate qualified professional.**

- The purchase of second hand goods from a GST registered business has GST that can be claimed as input tax credit. If purchased from a private seller or non-registered business, special rules apply.

In general, the GST can be sometimes complicated or unclear, and it is important to consult someone with the expertise who can provide the right advice.

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