Tax Facts - Goods and Services Tax

Goods and services tax (GST) is a tax of 10% on most goods, services, and other items sold or consumed in Australia. The general principle is that only the end consumer bears the economic cost of GST. Registered entities bear the liability of collecting GST in the price of sales to their customers, but can offset credits for GST included in the price of business purchases.

Registration

An entity (including an individual) must register for GST if the entity's annual turnover is $75,000 or more ($150,000 for non-profit organisations). An entity may choose to register if the entity's turnover is below the threshold. Related entities may form a GST group and be treated as a single entity for GST. A single entity may register separate branches for GST.

Charging GST

A registered entity is generally required to charge GST on all sales of goods and services in Australia, unless a supply is GST-free or input taxed. The entity must provide its customers with a tax invoice for all taxable sales above a threshold of $82.50 ($75 + GST).

Claiming GST credits

A registered entity can claim an input tax credit for GST included in the price of goods or services purchased for the entity's business. A credit cannot be claimed for:

- purchases where GST was not included in the price (GST-free acquisitions)
- purchases used to make input taxed supplies
- purchases for the entity's private use.

Rules for specific industries and transactions

A range of special rules apply to sales and purchases by entities operating in specific industries, or certain types of transaction entered into by any entity. Details are available here.

Reporting and paying GST

The reporting periods for GST are called tax periods and can be quarterly or monthly. GST is reported and paid on the entity's activity statement for its tax period. Entities with an annual turnover of less than $20 million generally have quarterly tax periods, but can choose to have monthly tax periods. Entities with an annual turnover greater than $20 million are required to have monthly tax periods and lodge their activity statements electronically.

In limited circumstances, entities can choose to report and/or pay GST annually. This may involve quarterly instalments plus an annual GST return to reconcile actual transactions for the year.

The rules for attributing GST payable and input tax credits to tax periods differ according to whether GST is accounted for on a cash or accrual basis. An entity can account for GST on a cash basis if any of the following applies:

- the entity is a small business (or non-business enterprise) with an annual turnover of less than $2 million - this includes the turnover of related entities
- the entity accounts for income tax on a cash basis
- the entity runs a type of enterprise that is permitted to account on a cash basis regardless of turnover - generally a government school, a charity, or a gift deductible entity.