I'd like to start 2020 with positive and profitable news on the GST front. I sometimes hear "it's only GST", or "it's only 10%" or "who cares". So, this time, instead of setting out the type of assignments I've been working on, I'll set out examples of the GST benefits my clients/referrers reaped in 2019.

Achieving GST free status for your supplies, whether they're new to the market or already out there:

- *Increase your profit* by the GST saved: if you previously sold at $100 + $10 GST, you can start charging $110 + $0 GST (10% of revenue dropping straight to the bottom line is not 'just' 10%- it could even be 50% of net profit)
- *Be more competitive* by passing on some of the savings: get under a critical price point; beat the price of competitors' or substitute supplies
- *Release valuable cash flow permanently* instead of making 'donations' to the Commissioner: have a price freeze for a couple of years; loss lead a new product into the market; revitalise a product that is stalling due to price; valuable marketing spend; I've even heard of incremental R&D spend, keeping staff on or paying for new hires; bonuses; the choice is yours.
- *Potential refunds for the past four years*: But beware - since 2014, if you 'pass on' the GST to your customers and don't refund it to them, the supply may be 'deemed to be taxable' and refunds could be denied.
- *Opportunities are especially plentiful in the food, beverage, health care, and medical sectors*
- *Mixed supplies like hampers, or single packs of multiple products, are often misclassified as completely taxable*

Clearing imports through Customs without paying GST, and GST free exports:

- *Being approved to use GST import deferral scheme* is often very easy, allowing faster clearance and not having to pay GST to Customs
- *Australians are entitled to access the GST Tourist Refund Scheme when travelling overseas*
- *Good exported are GST free. Goods supplied to someone to export are taxable.*

Extending the reach of Charities and DGRs that provide supplies for less than cost or market value as they might be GST free:

- *All Endorsed Charities and DGRs are entitled to special GST free concussion* and can apply to all supplies, not just charitable supplies
- *Further reduce or subsidise your prices*: if you previously sold at $100 + $10 GST, you are at liberty to start charging $100 + $0 GST
- *Applying bequests and donations to charitable work:* they do not count as consideration for supplies
- *Be more supportive* by passing on some or all of the savings: extend the reach of who you can support, instead of making 'donations' to the Commissioner
- *Potential refund*s for the past four years: I know one who acquired a much needed property to extend services with the GST refund. But beware - since 2014, if you 'pass on' the GST to your customers and don't refund it to them, the supply may be 'deemed to be taxable' and refunds could be denied.
- *Effective tax deductibility for payments to benefit non-profit associations* that are not Endorsed Charities or DGRs, through acceptable and above board auspicing arrangements

Ensuring property developers aren't caught out, by not rolling the dice on GST treatment:

- *Vendors should negotiate higher prices* when a purchaser insists on Going Concern treatment (only the Purchaser benefits)

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- *Purchasers can still benefit from going concern elections*, even when there are 'increasing adjustments' by considering an objective cash flow analysis
- *Margin scheme elections can ofter still generate significant permanent GST savings*
- *Vendors can save GST on certain sales incentives;* some incentives/discounting approaches are GST effective and some are not
- *Some consideration from property sales are input taxed interest*
- *Payment of rental guarantees for past 4 years can lead to GST refunds*
- *GST liabilities can be delayed* even under instalment contracts, by use of special attribution rules
- *Big and huge renovations are not necessarily taxable* 'substantial renovations'
- *New Residential Premises can be taxable 20 years after completion*; common misunderstanding of the so called '5 year rule'

<u>*Gaining an effective priority over ATO*</u> when secured lenders have defaulting developers:

- *Lenders can sometimes get first bite at the cherry from settlement funds*, even when the Receivers finalise the completion and settlements of developments. Depends on the facts.

<u>*Minimise the risks of full ATO GST audits*</u> that can be lengthy, unpleasant, costly and unnecessary:

- *Press the ATO to explain what they are after* right up front, as they might only want a small amount of information to be satisfied
- *Avoid the tendency to only give the ATO the minimum they ask for, and at the last possible time*; that will mostly lead to escalation to delays, audits, or withholding of refunds
- *The ATO doesn't know what they don't know, until they do know it*: help the ATO get it right rather than allowing lengthy fishing expeditions.
- *If you insist that the ATO puts everything in writing* before you give them anything, you will normally get what you ask for- lots of written demands (be careful what you ask for- you might get it)

<u>*GST credits can often be claimed on acquisitions for making financial supplies*</u>:

- *GST is not denied for financial 'suppliers'*, only on certain acquisitions for making financial supplies
- *Allocation and apportionment need only be fair and reasonable*, with virtually no statutory rules
- *55% or 75% or even 100% GST input tax credits are claimable in many cases*; don't just give up by claiming none.

<u>*Summary*</u>

The ATO is making many changes as to how it administers GST, and it's worthwhile being alert. For example:

- Most business will now have a single person in the ATO monitoring all of their tax obligations, and that person will now very often be from the GST team (they get down to the nitty gritty details of what the business does, and on a basis much closer to real time). The restructuring occurring in the ATO is significant, and will have widespread consequences for clients and advisors.
- Data matching and cross matching is advancing at a rapid rate, not just in comparing externally sourced information with what the ATO knows, but also comparing the various disclosures made to the ATO. The "Commissioner for GST, income tax, CGT, PAYG" etc, is the same Commissioner, and it should not be a surprise that they compare revenue and expenditure for income tax purposes, with supplies and acquisitions for GST purposes.

- The ATO is getting much more focused in its intervention actions. For example, the 'strike rate' of amending GST refunds claimed in BASs is rapidly increasing - it's not just random checking.

Tax Audit Insurance normally covers the costs of dealing with BAS Refund Integrity Checks. It doesn't have to be broader GST reviews, or full blown GST audits to make a claim. I'm currently on a Specialists Panel for an insurer and can assist clients and advisors to get on the right track right from the start, often only taking only an hour or two. The problem, if there is one, can often be quickly resolved and much of the follow-through effort can be done by the client or referrer. There's often misunderstandings between the business, Tax Agent and ATO to start, and getting quickly on track can save much time and angst, and the cost be covered by Tax Audit Insurance.