



Australian Government

The Board of Taxation

Review of the Legal Framework for the Administration of the GST

Tax professionals consultation meeting Sydney, 4 August 2008, 9.30-11.00 am

Summary of key issues

- Specific contra transactions are accounted for differently in accounts and income tax compared with GST. This makes it difficult if not impossible to pick up these transactions when you are doing your BAS. Need to look at overseas jurisdictions. EG treatment of prompt payment discounts.
- Entity receiving instalment payment and on accruals basis - entire GST liability arises on the first payment.
- Alternative to registering non-residents: move toward NZ GST – compulsory reverse charge business to business supplies so collect from resident recipient. Appoint a VAT agent, if person willing to act as an agent.
- BAS Easy – needs to be made *very easy* for small business/micro business. Ratio may disadvantage those with seasonal fluctuations.
- Small/micro business definition areas which need addressing: clarity regarding definitions, solution for seasonal fluctuations, registration.
- Other rules – tax law partnerships. Partnerships and trusts are grouped as entities in GST law, but describe a relationship. Need to look at overseas examples. Issue: input taxed supply by a partnership can only be made if there is an interest in the capital of the partnership. Possible solutions: take out TLPs or fix rules around input tax credits.
- Avoid examining definitions (eg tax law partnership, grouping) and look at issue. Option – nominate who accounts for the transaction.
- If purchase entity that was part of a group – how do you do due diligence? Tax sharing arrangements.
- Subsequent events – Commissioner's current thresholds for correcting GST mistakes – thresholds need to be reviewed.
- Adjustments – mismatch in law where there are receiverships etc. Issues about dealing with adjustments if make administrator liable. Solution: make administrators report on cash basis. Can currently obtain approval from the Tax Office, but should be available in law. Alternate solution: adjust return in period in which you find error (but driving force is penalties and interest).

- Suggest reviewing director penalty notices to see if they should apply to GST.
- Adjustments – Div 129 impractical for property industry.
- Key categories seen as: international, financial services, property, administration (rulings, GIC), other (entity issues), small business.