



Australian Government

The Board of Taxation

Review of the Legal Framework for the Administration of the GST

Corporates and business associations consultation meeting Sydney, 4 August 2008, 11.15am – 12.45pm

Summary of key issues

- Key issues to cover during session: wash transactions, financial acquisitions threshold, hire purchase and cash basis taxpayers, registration and grouping process, proof of identity requirements for non-residents and residents, Div 129 change of use adjustments and whole adjustment event process, barter transactions.
- Should be able to do everything electronically (seamless process) eg default approval of registration and grouping, grouping mid-period. Should be able to see the information the ATO holds on you online eg members of group. Objective: real time process.
- Grouping issues – grouping mid-way through tax period (Possible solution: election to group mid-period), retrospectively grouping, can't group and register simultaneously, want more flexibility, case by case basis, property and related industries would like to be able to group stapled entities, elect to be in group (90% ownership issue).
- Alternative to adjustment notes: adjust tax invoice.
- Recipient created tax invoices - proposal to put relevant clauses (regarding the separate agreement) on the actual invoice.
- Tax law partnership concept could be abolished and accounting brought down to the level of underlying entity.
- Issues around representative entities eg TLPs, JVOs, incapacitated entities, non-resident agent.
- Associates – issues with the definition based on income tax.
- Tripartite arrangements.
- Joint venture regime – differences between accounting joint venture and GST joint venture, some transactions are ignored.
- Regarding BAS Easy example - Builders have GST free transactions.
- BAS Easy option: could take a snapshot for a longer period eg a whole year and apply for as long as relevant, then need ability to adjust.
- Weakness of BAS Easy – once in the system, can't easily calculate GST you would have paid if you have stopped keeping those records.

- Adjustments are a problem. Sometimes its difficult to identify adjustments.
- Adjustments Option 1: increase limits on correcting GST fact sheet (thresholds have not changed since GST introduced). Also need to separate out groups under thresholds.
- Adjustments Option 2: put it in current BAS (if there was no penalty for doing so).
- Could abolish penalties and interest for wash transactions. But where you have thousands of transactions, it's hard to know which transaction is a wash transaction.
- Accounting systems don't adequately address adjustments.
- Other countries (eg Singapore) have formula for current period, rather than trying to get everything right for every transaction and subsequent changes for everything else.
- Agreement with changes from ROSA being looked at for GST. However, income tax works on self-assessment system, and we don't have that system with GST. Option: deem BAS to be instalment of annual assessment.
- Private rulings being reviewable – currently restrictive. Third party reliance on rulings.
- Hire purchase treatment under GST has seen move to chattel mortgage. Other jurisdictions have introduced special rules for cash basis taxpayers.
- Wash transactions – take up a lot of time for large businesses. Pricing adjustments option in Canada – supplier and recipient agree that the adjustment not be taken into account.
- Thresholds in legislation eg financial acquisitions threshold (FAT) need to be revisited and reviewed regularly.
- Proof of identity requirements for non-residents onerous. Need to make system easier for non-residents to register. Option: change system to enable non-residents to stay out of it.