



Your quick guide to GST and BAS in Australia





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Find out when to charge GST, how to do it, and what to do with the money. And learn when and how to claim back GST on business expenses.

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1

What is GST?



What is GST?

You've probably heard of GST before – it stands for goods and services tax and is added to nearly everything you buy in Australia. As it's almost always included in the price on the shelf, you probably don't give it a second thought.

How can GST affect my business?

If you're a business, you may be required to register for and collect GST. This means:

- you may need to add GST to your prices
- you will need to send that extra money to the ATO
- you can claim back any GST that you're charged on business supplies and expenses

How much is GST?

10% is the GST rate. It's charged on most sales in Australia, but not all of them.

GST-free sales

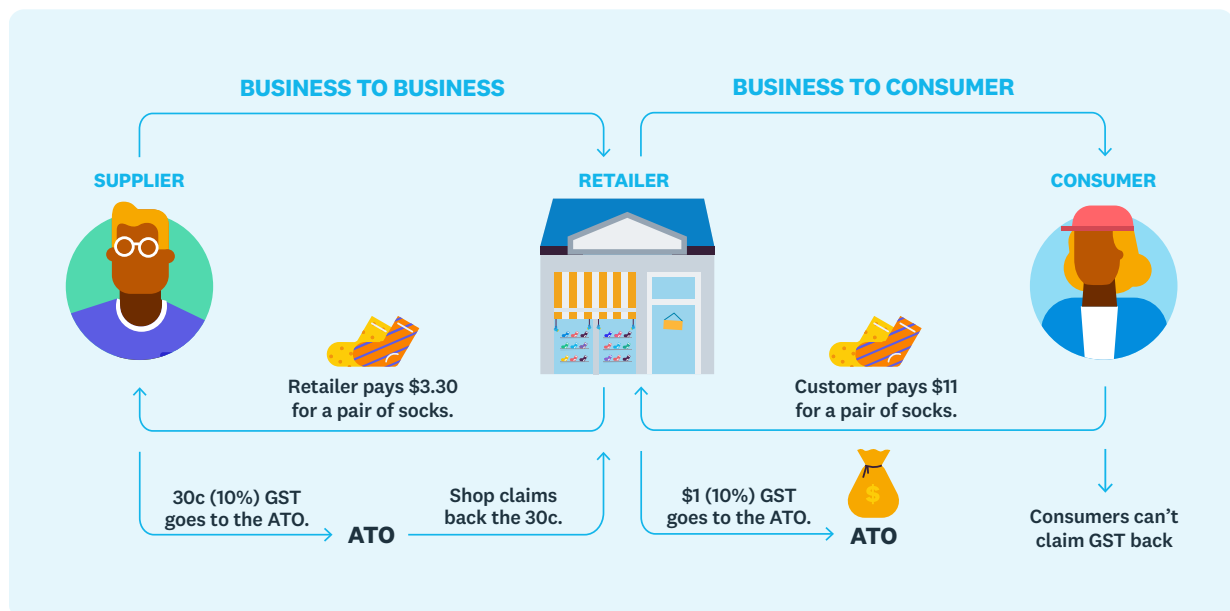
Some types of products and services can be sold without adding GST, including:

- staple foods such as fruit and vegetables, meat, most dairy, spices, and sauces
- some education courses and resources
- some medical and healthcare products and services
- financial products and services

[You can get a full list of GST-free goods and services on this ATO page.](#)

How does GST work?

The GST on any item is designed to be paid by the consumer in the end, rather than by the businesses involved in its supply. Take this example:



GST on imports

You will have to pay GST on most imported goods. It's added to the price you paid for the goods plus shipping costs, and you may have to pay it before customs will release the shipment. You can generally claim the cost back when submitting a GST return.

GST-registered businesses don't have to pay GST on services or subscriptions from overseas suppliers.

GST on exports

You don't have to charge GST on exports so long as the goods leave Australia within 60 days of you receiving payment or issuing an invoice, whichever comes first.

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Registering for GST

Registering for GST

Find out if your business needs to register for GST. If so, learn how to do it and find out what happens next.

Who needs to register for GST?

- Australian based businesses with an annual turnover of \$75,000 or more
- Taxi drivers and ride-sharing drivers no matter what their turnover is
- Not-for-profit organisations with an annual turnover of \$150,000 or more
- Businesses that want to claim fuel tax credits
- International retailers with total Australian sales of \$75,000 or more a year

You can get into legal difficulty if you don't register for (and collect) GST when you should.

If your annual turnover is under the threshold, you can voluntarily register for GST. There are benefits of registering your business for GST, but there will also be extra things for you to think about so it's good to weigh up your options first.

Benefits of registering

Once you're GST registered, you don't end up paying GST on business expenses. You'll still get charged the GST-inclusive price when you make the purchase, but you can claim that money back when you file your return with the ATO.

What do I need to register?

You'll need an Australian Business Number (ABN). However, if you're registering as a company, then you'll need an Australian Company Number (ACN) before applying for your ABN.

Choosing an accounting basis

During the registration process, you may be asked how you will account for GST. This decision determines when you owe GST on sales (and when you can claim GST refunds on expenses). There are three options, but they may not all be available to you.

• Cash accounting

Some small businesses are able to use cash accounting. Those businesses only owe GST on a sale once the customer has paid them.

• Accrual basis accounting

Some businesses must use accrual basis accounting. That means they owe GST on a sale as soon as they raise the invoice or when they get paid, whichever comes first.

• Simpler accounting method

Food retailers can use the simplified accounting method (SAM). [Check out this ATO page to see if it's for you.](#)

Many businesses use cash accounting for GST, but accrual accounting for income tax. That may sound complex but [good accounting software](#) makes it easy to move between the two.

Cash accounting

Simpler accounting method

Accrual basis accounting



Registering for GST

How to register for GST

It's simple to register for GST yourself and it costs nothing.

Registering online

- You can get your ACN, ABN and register for GST with the [Business Registration Service](#).
- You can also register for GST through the [ATO business portal](#).

The business portal is the main way for businesses to communicate with the ATO. It's also where you will submit your business activity statements (BAS). You can also submit your BAS via [online accounting software](#).

Other ways to register

You can:

- use form NAT 2954 ([order it here](#))
- call the ATO

Once you're registered for GST

After GST registration you need to:

- add GST to your prices
- issue tax invoices to your customers
- keep receipts and invoices to claim back GST on business expenses
- submit business activity statements (BAS) to the ATO
- pay any GST due

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Calculating GST and issuing tax invoices

Calculating GST and issuing tax invoices

If you're a GST-registered business you must add GST to your prices. You also need to issue GST invoices to customers. Let's take a look at the maths and requirements of both.

How to add GST to prices

You need to put your prices up by 10%. There's a very simple formula for doing that.



You can find useful GST calculators on the web; just search for 'AU GST calculator'. Don't do this to GST-free products or services that you sell. [You can check GST-free items on this ATO page.](#)

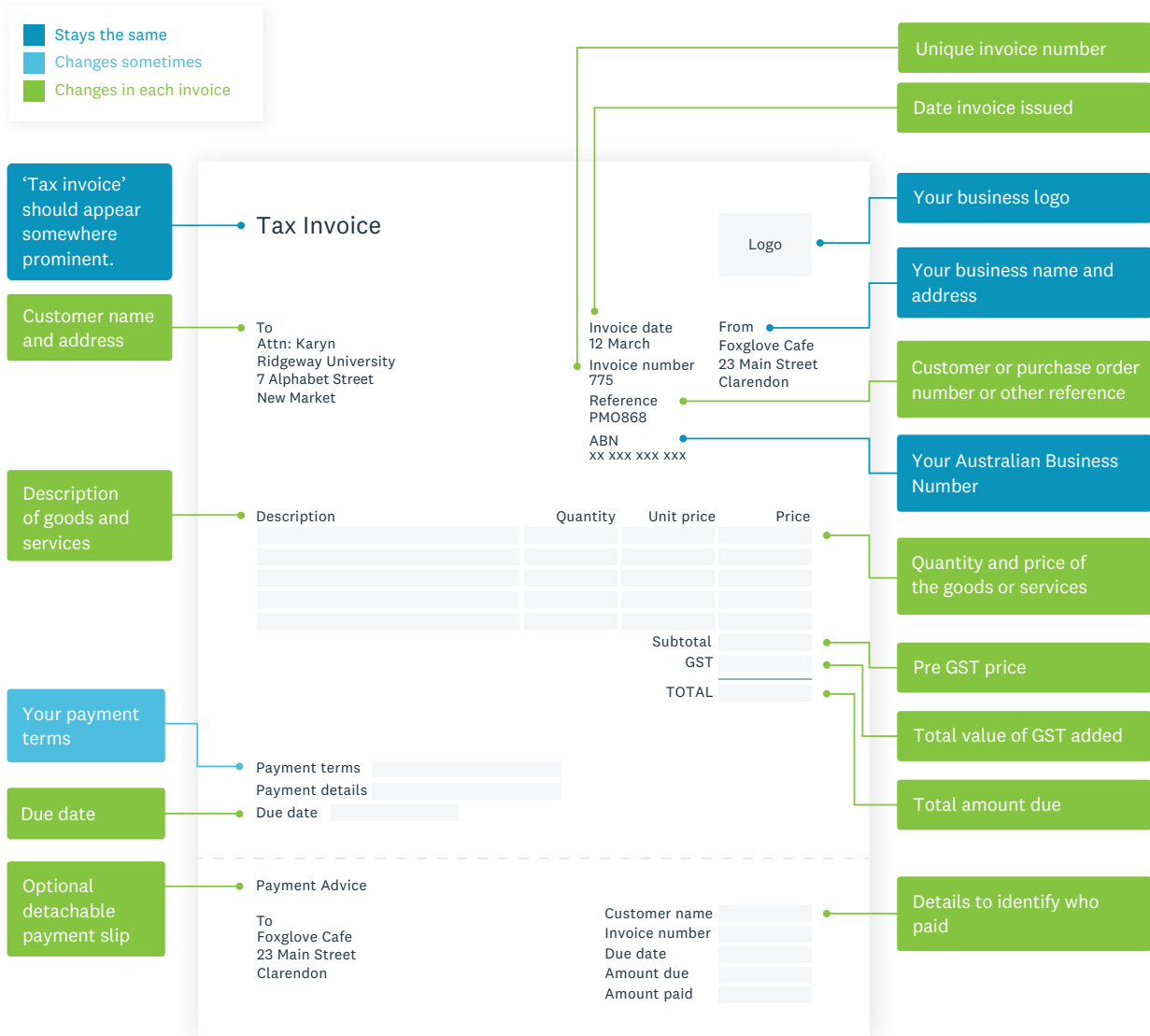
Calculating GST and issuing tax invoices

What are tax invoices?

A tax invoice tells a customer how much GST they paid on a purchase. It's important information because some of your customers may be able to claim that tax back. If you're GST registered, you must issue a GST invoice on request.

Tax invoice example

Here's what you need to put on a tax invoice.



You can get more on issuing tax invoices from the [ATO](#).

Receipts versus tax invoices

A receipt printed at point of sale is called a tax invoice if it has all of this information on it. But it must contain the words 'tax invoice'.

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Claiming GST (and input tax credits)

Claiming GST (and input tax credits)

GST-registered businesses can claim back the GST they pay on business expenses. They can also sometimes claim back GST paid on income. Let's learn how.

When you can claim GST back

You can claim GST back when:

- you've purchased goods or services for your business (these are called input tax credits)
- a customer leaves you with a bad debt

GST tax credits for business expenses

When you buy something for your business, you're usually charged GST. If you're registered for GST, you can claim that back. You do this by claiming a GST tax credit when lodging your [business activity statement](#) (BAS).

The ATO will balance those credits against the GST you owe when working out your refund or bill (learn more in [working out your GST](#)).

When expenses are split between business and home

If you bought something for both your business and for private use, you can claim a GST credit for the business portion.

When you're not collecting any GST

You can claim back GST on supplies even if the end product or service that you sell is GST free.

Claiming back GST on a bad debt

If you account for GST on an accrual basis, you can sometimes get caught out by a bad debt. For example you might raise an invoice and pay GST on the expected income then find your customer doesn't pay you.

Don't worry, you may be able to claim back the GST from the ATO on your next return. If the customer pays later, you will repay the GST then.

[Learn more about bad debt adjustments on this ATO page.](#)

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**Working out your
GST refund or bill**

Working out your GST refund or bill

Working out GST is straightforward maths. Keeping track of all your transactions is the trickiest part. Let's take a look at the process.

GST is a simple formula

You work out GST by comparing the amount you paid on purchases to the amount you collected on sales.

You may need to make adjustments for assets, such as a car or computer, that is shared between your business and family. Visit the ATO page on [adjusting GST](#) to find out more.



How to work out GST in four steps

1. Make a note of the GST paid on your business purchases

🕒 **Paid on purchases**

Subtotal	\$5335
GST	\$533.50
TOTAL	\$5868.50

Money you can claim back


Working out your GST refund or bill

2. Make a note of the GST collected on sales

Collected on sales

Subtotal	\$304.35
GST	\$30.43
TOTAL	\$334.78

Money you owe the ATO



3. Add both types of GST

GST collected		GST paid	
April	=====	April	=====
May	=====	May	=====
	=====		=====
	\$2819.74		\$1342.87

4. Run the GST formula

$$\mathbf{\$2819.74 - \$1342.87 = \underline{\$1476.87} \text{ Money you owe the ATO.}}$$

If it's a negative number, you'll get a refund for that amount.

Working out your GST refund or bill

Avoid nasty surprises with smart bookkeeping

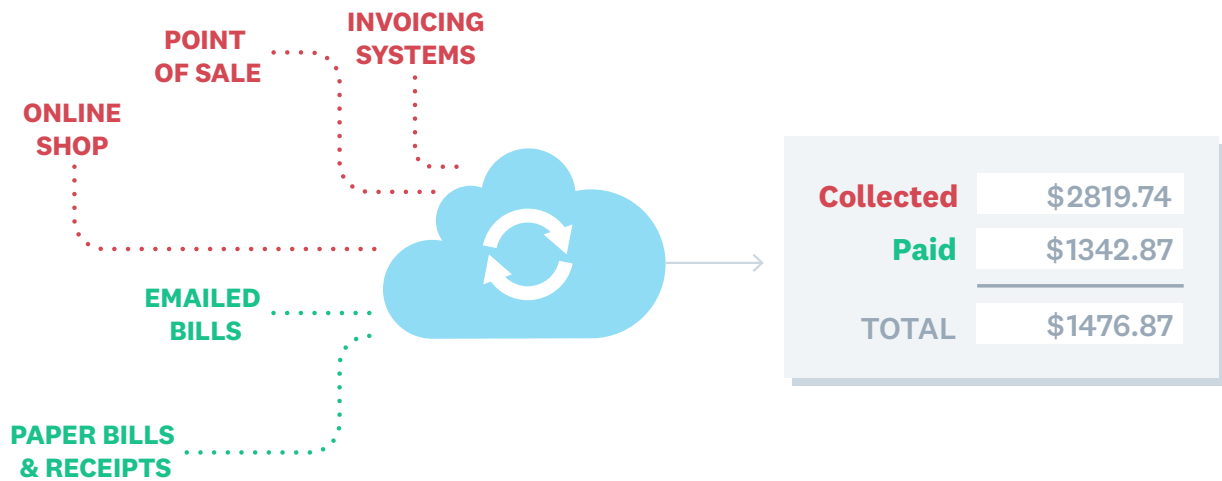
Like any business, you'll aim to sell more than you buy. If you succeed in doing that, you'll most likely end up with a GST bill to pay. Run the four-step GST calculation regularly so you can:

- work out how big your GST payment is shaping up to be
- transfer cash to a separate bank account to cover the GST you'll need to pay

Automate your GST calculations

You can use [online accounting software like Xero](#) to stay on top of GST. It automatically records GST collected and paid and does the maths for you.

The software keeps a running count of your GST situation so you always know where you stand. When your business activity statement (including your GST return) is due, you just connect to the ATO and submit it online. All the information is ready to go.



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**BAS: what is it and
how to lodge it**

BAS: what is it and how to lodge it

As a GST-registered business you'll need to let the government know how much you've collected and how much you've paid. You do this by completing a business activity statement (BAS).

What is a BAS?

A BAS is a form that you fill out between one and twelve times a year, depending on your business size. The ATO uses the information on your BAS to work out your GST refund or bill. It's also used for business income tax (if you're in the pay-as-you-go system), employee income tax, fringe benefits tax, luxury car tax, wine equalisation tax, and fuel tax credits.

Information you will need

You'll need a record of how much GST you collected on sales, and how much was paid on purchases. You won't need to submit tax invoices when you lodge your BAS, but you will need to have them on hand. The ATO may ask to see them later.

Because your BAS may also be used for other tax reasons, you will probably need to provide extra information about your business, its income, and any employees. [Learn more on the ATO page about business activity statements.](#)

How to lodge a BAS

You can lodge your BAS online:

- via your [online accounting software](#)
- through your [myGov account](#) if you're a sole trader
- through the ATO's [online business portal](#)
- by having a registered tax or BAS agent (generally an accountant or bookkeeper) submit it for you

What are BAS due dates?

How often you complete a BAS – and when you must submit it – depends on how much business you're doing. And that's measured by your annual turnover.

More than \$20 million annual turnover

Lodge: Monthly.

Deadlines: You must submit a BAS within 21 days of the month closing.

Less than \$20 million annual turnover

Lodge: Quarterly.

Deadlines:

- Quarter 1 (July-September) BAS is due on 28 October.
- Quarter 2 (October-December) is due on 28 February.
- Quarter 3 (January-March) is due on 28 April.
- Quarter 4 (April-June) is due on 28 July.

If your turnover is less than \$10 million, you may be able to lodge annually – but you're still required to pay a quarterly instalment of the GST you owe.

Less than \$75,000 annual turnover (or \$150,000 for non-profits)

Lodge: Annually.

Deadline: Submit with income tax return.

If you miss your BAS due date

You may be penalised by the ATO if you blow your BAS deadline without a good reason. [Here's how they calculate the size of the fine.](#)

GST payment

If your BAS says that you owe GST, then you are generally required to make that payment on the same day. You can pay online, by mail, or in person at Australia Post.

If you can't afford to pay the GST you owe, you may still be able to avoid a fine by lodging your BAS on time, then working out a payment plan with the ATO.

Getting a GST refund

If you paid more GST than you collected, the ATO will owe you a refund. It will be paid directly into your nominated bank account.



**Where to next?
Tools and guides
for your business**

Where to next? Tools and guides for your business

Now you know the ins and outs of GST and BAS, but it can be a stretch to keep on top of it all. Xero's got resources and solutions to help.

Free resources for small businesses

Guides

Handy tips and tricks to help you in your life as a business owner.

[Read guides](#)

Tax invoice template

Use our free template and it will calculate GST for you.

[Get your template](#)

Bookkeeping tips

Learn how to keep tabs on taxes and profitability.

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Tech solutions for small businesses

Xero GST tools

Streamline GST accounting and returns.

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Xero accounting software

You'll be surprised by how much of your financial admin can be automated.

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