

The Business Experts Bureau Great Business Idea - Tuesday 21st Sept 2010

Any business entity earning an annual revenue of \$60,000 or more is required by law to be GST registered. GST is not a tax on the business but on the end user of a product or service.

The two month return is of course the standard GST term however if your annual turnover falls below \$500,000 you can elect a 6 month return basis. The upside of the longer 6 month term is a reduction in compliance costs which could be your tax advisors fee plus the hours you or one of your staff put in to furnish the return. The downside is the temptation not to put the GST funds aside into a separate account and spend the money. The upside of a two month term is you're less likely to forget to make the return plus you are also forced to put your expenses and income under a more regular closer scrutiny.

There are the two accounting bases for GST. The payments basis, where you pay GST on all payments received and made in the GST period, or the invoice basis, which means you have to pay GST for the period you invoiced to your customers, even if they have not yet paid you for that invoice. For this reason small to medium sized businesses opt for the payments basis.

With GST at 12½% it was easy to calculate the GST component by dividing by nine. The quickest method now, with GST at 15%, is to multiply the GST inclusive amount by 3 then divide by 23.

Leigh Johnston
Business Accountancy Expert