



Australian Government

The Board of Taxation

Review of the Legal Framework for the Administration of the GST

Corporates and business associations consultation meeting Melbourne, 8 August 2008, 11.15am – 12.45pm

Summary of key issues

- Issues identified at beginning of session: residential colleges and halls at Australian universities – indexation of valuations under section 38-250, registration, contra transactions (including timing eg periodic and progressive supplies mismatch), reduced input tax credits, adjustment provisions (Div 129).
- Contra transactions issues around valuation, accounting for etc. Option - ignore contra transactions.
- Financial supplies – reduced input tax credits and apportionment. Complex and expensive.
- Div 129 adjustments – very complex and difficult to comply with. Option – align with effective life. Alternative option – increase thresholds, have different thresholds depending on turnover.
- Non-resident supplier. Option – opt out of registration if no taxable supplies.
- Combination of RITCs and apportionment – time consuming and administrative costs, because need to allocate items every month in order to lodge BAS. Option – reduce complexity by applying a method eg industry standard recovery rate (could be optional).
- Invoicing requirements. Option – more flexibility regarding different members of group, replacement invoices, scanning problems, recipient created tax invoice (include info on tax invoice).
- Residential colleges – large costs with valuations. Option – indexation of previous valuations.
- University clubs should have option not to be registered (office holders change regularly, with many straight out of school, unpaid). Option - increase NFP registration threshold and apply a de minimus rule)
- Some student residence clubs have RCTI issues.
- Option - increase threshold for NFP. Alternative de minimus provision if turnover above \$150k (but below say \$300k), if very small net remitter, can apply to deregister. Particularly relevant for sporting clubs.
- Residential colleges – small charities that can make non-commercial supplies. Net-claimers of a few thousand dollars spend more in compliance than they get back. Option – for refund

claimants, stay out of system. Voluntary deregistration. Opt out decision could last for a number of years. Could be done on current year's budget or previous audits.

- Registration – 4 week time lag on Australian Business Register is a problem. Implications for whether tax invoice is valid. Option – amend ABR details in real time online (then would know if a company is deregistered).
- If receive a tax invoice in good faith and have done all that is reasonable to verify it, then Commissioner should accept credit and pursue supplier if not registered. Option – more guidance from Commissioner on reasonable steps to verify validity of tax invoice.
- Taxpayers should have access to what the Tax Office sees and be able to adjust it (eg grouping).
- Should be better alignment between GST and accounting standards.
- Foreign registration – getting them to issue valid tax invoices can be a problem.
- Public officer requirement could be a problem for non-resident entities (issues for ABN registration). Option – if non-resident entity part of a relevant corporate group, that group could provide information.
- Commissioner's discretion – subsection 29-10(4) doesn't work. Tax invoice not claimed previously. Should be able to claim either in current period or previous period with underpayment (to reduce payment). Optional approach.
- BAS Easy – in NFP university sector a high degree of seasonality. But despite this, like the idea of BAS Easy and the fact it lasts for three years. Expect take-up in NFP sector.
- Grouping issues – retrospective grouping, mid-period grouping and registration and grouping at the same time, also holding companies should be deemed to be carrying on an enterprise. Joint ventures should be able to do it too.
- Adjustments – going back becomes difficult in a paperless office where things are archived regularly. Getting these records can be difficult. Option – adjustment should be made to current statement.
- Thresholds for correcting mistakes should be raised for large corporates. Option - if reduction in net liability, correction in current BAS.
- Issues with refunds involving thousands of consumers. Entities should be allowed to net off the cost of administration of the refund (cost of staff to process refund, cost of locating people, advertising costs). Example from transition period with ACCC. Option – allow netting.
- Features of income tax system – rulings, amendment periods, GIC, should they apply to GST? Some issues eg different amendment periods for different taxpayers, and how would product and class rulings work within GST? Option – ability to rely on someone else's ruling within the chain of supply (eg the supplier's ruling).
- Information the Tax Office is bound by is broader for GST than income tax.

- GIC on revenue neutral transactions. Option - should be a default of no GIC where no impact on revenue. No need for separate penalty.
- Remission guidelines not sufficiently broad where uncertainty about how the tax law works. Eg charity has credit on FBT and debit on BAS, both going back 4 years. Option - where revenue neutral, should net off (rather than current system where GIC is imposed). Should be some incentive to get it right, but not onerous GIC bills where uncertainty about how to apply tax law.
- Financial Acquisitions Threshold.