Australian Government
Australian Taxation Office

GST Analytical Tool (GAT)

Top 100 example

OFFICIAL
EXTERNAL

Contents

GAT example

Purpose

The purpose of this document is to provide an example as to how the analysis from applying the GAT will be set out in the Tax Assurance Report (TAR) for a Top 100 taxpayer. This is a fictitious example and is not based on taxpayer data.

BAS and Accounting Alignment

Key finding

As a result of applying the GST Analytical Tool (GAT), we have calculated an effective net GST rate of 10%. This has resulted in a Stage 3 rating for this focus area.

Overview

We have conducted the GAT calculation and analysis for *GAT Pty Ltd* for the year ended 30 June 2019 (2019 financial year). This is based on information *GAT Pty Ltd* has provided, including information available within the ATO and from public sources.

In preparing the GAT calculation, we were required to make a number of assumptions where insufficient information was provided to fully explain and / or reconcile the differences between the figures reported in the financial statements and those reported in the BAS. These include:

- The elimination of accounting figures attributable to Services Pty Ltd which lies in the accounting group but not the GST group
- Movement in balance sheet accounts solely relating to GST-bearing activities
- Payment of rebates resulting in decreasing adjustments (i.e. increase in GST claimed at Label 1B throughout the year).

What the GAT analysis shows is that, for *GAT Pty Ltd* for the 2019 financial year, the key adjustments impacting the effective net GST rate include the following:

- Exports and other GST-free sales of $60m which are not subject to GST
- Disposal and purchase of assets of $65m and $70m respectively of which the gross value was not reflected in the P&L statement
- Rebates paid to customers of $85m which were offset against total revenue and triggered decreasing GST adjustments
- Payroll expenses of $150m which are not subject to GST
- Various expenses totalling $100m which do not contain GST in the price
- Accrued expenses of $90m which have been recognised for accounting purposes but have not yet been billed or paid.

BAS & Accounting Summary

Below is a summary of the BAS lodged by GAT Pty Ltd for the 2019 financial year.

GST performance	$m
1A GST payable	$90
1B GST claimed	$70
G1 Total sales	$1,050
G2 Exports	$25
G3 Other GST-free sales	$35
G10 Capital purchases	$70
G11 Non-capital purchases	$700
Net GST payable/(refundable) (1A -1B)	**$20**
Total revenue from financial statements	$825
1A on total revenue (Effective GST on sales rate – *Unadjusted*)	10.91%
Adjusted total revenue	$905
1A on adjusted revenue (Effective GST on sales rate – *Adjusted*)	**9.95%**
Total expenses from financial statements	$750
1B on total expenses (Effective GST on expenses rate – *Unadjusted*)	9.33%
Adjusted total expenses	$705
1B on adjusted expenses (Effective GST on expenses rate – *Adjusted*)	**9.93%**
Unadjusted net profit from financial statements	$75
Net GST on net profit (Effective net GST rate – *Unadjusted*)	26.66%
Adjusted net profit	$200
Net GST on adjusted net profit (Effective net GST rate – *adjusted*)	**10.00%**

GST payable reconciliation analysis[1]

The analysis below reconciles the total revenue reported in the consolidated profit and loss statement for the 2019 year with the GST reported on the BAS at label 1A for that period. This analysis seeks to confirm whether we have confidence in why the accounting and GST payable results vary, and each variance is assigned an assurance rating of low, medium or high, and supported by objective evidence.

<table>
<tr><th>Item</th><th>Description</th><th>2019 ($m)</th><th>Assurance Rating</th></tr>
<tr><td>Total revenue: financial statements</td><td>Total revenue as reported in GAT Pty Ltd's consolidated profit and loss statement for the 2019 financial year.</td><td>$825</td><td>N/A</td></tr>
<tr><td>Step 1

Grouping variances[2]</td><td>GAT Pty Ltd's consolidated accounting group consists of the following members:
<table><tr><th>Entity</th><th>Relationship</th></tr><tr><td>GAT Pty Ltd</td><td>Parent entity</td></tr><tr><td>Member Pty Ltd</td><td>Subsidiary</td></tr><tr><td>Services Pty Ltd</td><td>Subsidiary</td></tr></table>The GST group does not consist of "Services Pty Ltd" which is separately reported for GST purposes. Accordingly, the revenue associated with this entity has been removed from the calculation.</td><td>($15)</td><td>●</td></tr>
</table>

[1] Note all trial balance accounts have been supplied as part of the GAT workbook responses.

[2] There will be instances where the GST group would have more members when compared to the accounting group. In these instances, the preferred approach would be to add back accounting figures to match the GST group (note: this may also involve elimination of intragroup transactions on which GST is not applied).

<table>
<tr>
<td></td>
<td>The revenue figure has been extracted from the trial balance listing separated at the entity level, from which we have confirmed that no GST-bearing intragroup transactions have taken place between the entities. Accordingly, we have a high level of assurance over this adjustment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2

Adjustments - P&L statement</td>
<td>Exports

<u>Accounting treatment</u>

This revenue stream relates to the supply of goods for consumption outside the indirect tax zone. Export revenue is included as part of total revenue in the financial statements. The financial statements do not distinguish between export and domestic revenue.

<u>GST treatment</u>

Supplies of this nature are GST-free as per Division 38 of the GST Act.

<u>Assurance procedures</u>

As analysed in section 3 of the TAR, sample testing confirmed that export transactions relate to sales to overseas customers and bills of lading confirmed that GAT Pty Ltd was the exporter and goods were exported within 60 days of invoice date.

The $25m adjustment consists of the following accounts nominated by the taxpayer in the trial balance extracted by tax code “S0” (GST export). This figure also matches the annualised amount figure at Label G2 of the BAS.

The high level of assurance obtained is further supported by the high level of assurance obtained in respect of correct reporting and the stage 2 governance rating:

<table>
<tr><th>Account Code</th><th>Description</th><th>Total amount</th><th>“S0” amount</th></tr>
<tr><td>0001</td><td>Sale of goods</td><td>600</td><td>20</td></tr>
<tr><td>0002</td><td>Sale of spare parts</td><td>200</td><td>5</td></tr>
</table>
</td>
<td>($25)</td>
<td>●</td>
</tr>
</table>

<table>
<tr>
<td>Step 2

Adjustments - P&L statement</td>
<td>Other GST-free sales

<u>Accounting treatment</u>

The revenue streams below relate to the supply of medical aids included as part of total revenue in the financial statements.

<u>GST treatment</u>

GST-free as per Division 38 of the GST Act.

<u>Assurance procedures</u>

As analysed in section 3 of the TAR, the taxpayer is predominantly involved in the sale of taxable goods however a limited supply of GST-free goods has been identified.

The $35m adjustment consists of the following accounts nominated by the taxpayer in the trial balance extracted by tax code “SX” (GST-free). This figure also matches the annualised amount figure at Label G3 of the BAS.

Our analysis of the product master list has identified one product type as incorrectly classified as GST-free when it should have been classified as taxable. The taxpayer has provided a voluntary disclosure on the shortfall amount and will correct the classification and associated tax coding accordingly. As an error has been identified but is limited to a single product type, we have obtained a medium level of assurance on the GST treatment of this adjustment category.

<table>
<tr><th>Account Code</th><th>Description</th><th>Total amount</th><th>“SX” amount</th></tr>
<tr><td>0001</td><td>Sale of goods</td><td>600</td><td>35</td></tr>
</table>
</td>
<td>($35)</td>
<td></td>
</tr>
<tr>
<td>Step 2

Adjustments - P&L statement</td>
<td>Interest Income

<u>Accounting treatment</u>

Interest income is included as part of total revenue in the financial statements.</td>
<td>($10)</td>
<td></td>
</tr>
</table>

	<u>GST treatment</u> These supplies are input-taxed as per Division 40 of the GST Act. <u>Assurance procedures</u> This amount is consistent with Note 2 of the financial statements and trial balance account 0003 (Bank interest revenue). We have been advised that this revenue stream is generated from passive investments. On the basis set out above, we have a high level of assurance over this adjustment.		
Step 3 **Capital adjustments**	*Disposal of assets* <u>Accounting treatment</u> The gross value of disposal of assets is not recorded on the P&L statement. This figure matches the total disposal value of assets as reported through the Fixed Assets Register and is further supported by proceeds from sale of plant and equipment as disclosed on the Consolidated Statement of Cash Flows for the 2019 financial year. <u>GST treatment</u> The sale of fixed assets is predominantly taxable on which GST is payable as per Division 9 of the GST Act. <u>Assurance procedures</u> As explained in section 3 of the TAR, a sample of 30% of all capital transactions (by value) were analysed and assessed as correctly treated for GST purposes. On this basis, we have a high level of assurance over this adjustment.	$65	●
Step 3 **Capital adjustments**	*Gain on sale of assets* This adjustment is related to the disposal of assets. The gain on sale is reported as part of total revenue.	($5)	IM

<table>
<tr>
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<td>
As the gross value of asset sales have been added back to the revenue base, the gain on sale (net position) should be removed. Due to the quantum of the amount during the review period, this adjustment has not been further assured.
If this was a material adjustment, this can be assured directly against the financial statements or underlying trial balance accounts. This adjustment is related to the gross proceeds / cost of capital adjustment as we are adjusting the net figure to the gross figure to match GST reporting.
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<td></td>
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</tr>
<tr>
<td> Step 3 Adjustments - balance sheet </td>
<td>
Accrued Debtors
This adjustment calculates the timing difference between GST attribution on the receipt of invoice versus the accounting recognition when the revenue is recognised.
<u>Accounting treatment</u>
Project revenue is accrued and recognised in the P&L statement but has not yet been billed (i.e. no GST has been recognised) as per AASB15.
<u>GST treatment</u>
As the closing balance exceeds the opening balance, this indicates that there is revenue that has been accrued throughout the year of which GST has not yet been paid. Therefore, a decreasing adjustment to revenue is required.
<u>Assurance procedures</u>
This adjustment has been derived based on the movement in balance sheet account 0112 “Trade debtors – accrued”. We have reconciled $20m of the adjustment to the difference between the opening and closing balances in the trial balance. Accordingly, we have a high level of assurance over this adjustment.
<table>
<tr><th>Account Code</th><th>Description</th><th>2019</th><th>2018</th></tr>
<tr><td>0112</td><td>Trade debtors – accrued</td><td>95</td><td>75</td></tr>
</table>
</td>
<td>($20)</td>
<td>●</td>
</tr>
<tr>
<td>Step 3</td>
<td>Deferred revenue</td>
<td>$40</td>
<td>●</td>
</tr>
</table>

<table>
<tr>
<td>Adjustments - balance sheet</td>
<td>
<u>Accounting treatment</u>

This adjustment relates to advance payments received for maintenance services to be performed in the future. These services are initially recorded as a liability on the balance sheet and are only released to the P&L statement as the service is performed.

<u>GST treatment</u>

As the closing balance exceeds the opening balance, this indicates that there is revenue that has already been received of which GST has been recognised. However, this revenue is yet to be recorded on the P&L statement. Therefore, an increasing adjustment to revenue is required.

<u>Assurance procedures</u>

We have reconciled the $40m amount of the adjustment to the difference between the opening and closing balances. Accordingly, we have a high level of assurance over this adjustment.

<table>
<tr><th>Account Code</th><th>Description</th><th>2019</th><th>2018</th></tr>
<tr><td>0740</td><td>Deferred revenue</td><td>60</td><td>20</td></tr>
</table>
</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 4

Other adjustments</td>
<td>
Rebates paid to customers

<u>Accounting treatment</u>

Total revenue has been reported net of rebates (per AASB15).

<u>GST treatment</u>

This adjustment involves converting the net amount to gross figures to match GST reporting. The payment of a rebate would result in a decreasing GST adjustment where the taxpayer claims GST credits.

<u>Assurance procedures</u>

As set out in section 3 of the TAR, a sample of 10% of rebates have been analysed which confirms that the taxpayer makes a decreasing GST adjustment by claiming
</td>
<td>$85</td>
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</tr>
</table>

	input tax credits at Label 1B of the BAS. The rebates amount has been extracted from Account Code 0010. Accordingly, we have a high level of assurance over this adjustment. **Account Code** / **Description** / **Amount** 0010 / Rebates paid to customers / 85		
Final adjusted revenue amount		**$905**	
10% of Final adjusted revenue amount		**$90.5**	
Label 1A amount reported for the period		**$90**	
Variance		**$0.5**	

Account Code	Description	Amount
0010	Rebates paid to customers	85

GST claimed reconciliation analysis

The analysis below reconciles the total expenses reported in the consolidated P&L statement for the 2019 financial year with the GST reported on the BAS at label 1B for that period. This analysis seeks to confirm whether we have confidence in why the accounting and GST payable results vary, and each variance is assigned an assurance rating of low, medium or high, and supported by objective evidence.

<table>
<tr><th>Item</th><th>Description</th><th>2019 ($m)</th><th>Assurance Rating</th></tr>
<tr><td>Total expenses financial statements</td><td>Total expenses as reported in GAT Pty Ltd’s consolidated P&L statement for the 2019 financial year.</td><td>$750</td><td>N/A</td></tr>
<tr><td>Step 1

Grouping variances</td><td>GAT Pty Ltd’s consolidated accounting group consists of the following members:

<table><tr><th>Entity</th><th>Relationship</th></tr><tr><td>GAT Pty Ltd</td><td>Parent entity</td></tr><tr><td>Member Pty Ltd</td><td>Subsidiary</td></tr><tr><td>Services Pty Ltd</td><td>Subsidiary</td></tr></table>
The GST group does not consist of “Services Pty Ltd” which is separately reported for GST purposes. Accordingly, the expenses associated with this entity have been removed from the calculation.

The expense figure has been extracted from the full trial balance listing separated at the entity level from which we have also confirmed that no GST-bearing intragroup transactions have taken place between the entities.</td><td>($10)</td><td>●</td></tr>
</table>

<table>
<tr><td></td><td>Accordingly, we have a high level of assurance over this adjustment.</td><td></td><td></td></tr>
<tr><td>Step 2
Adjustments – P&L statement</td><td>Payroll Expense
<u>Accounting treatment</u>
Employee benefits and payroll expenses are reported as part of total expenses in the P&L statement.
<u>GST treatment</u>
Employee benefits and payroll expenses are not subject to GST and should be removed from the expenses.
<u>Assurance procedures</u>
The value of this adjustment is consistent with the line item “Employee benefits” reported on the consolidated P&L statement.
A full breakdown of this line item was provided as part of the trial balance and is listed below which confirms the amount is fully non-GST bearing.
Accordingly, we have a high level of assurance over this adjustment.
<table>
<tr><th>Account Code</th><th>Description</th><th>2019</th></tr>
<tr><td>2000</td><td>Salaries – Employees</td><td>100</td></tr>
<tr><td>2001</td><td>Annual Leave</td><td>20</td></tr>
<tr><td>2002</td><td>Long Service Leave</td><td>10</td></tr>
<tr><td>2003</td><td>Superannuation</td><td>10</td></tr>
<tr><td>2004</td><td>Bonus</td><td>10</td></tr>
</table></td><td>($150)</td><td>●</td></tr>
<tr><td>Step 2</td><td>Financing and Investment Costs
<u>Accounting treatment</u></td><td>($15)</td><td>●</td></tr>
</table>

<table>
<tr><td>Adjustments – P&L statement</td><td>Finance and interest charges are reported as part of total expenses in the P&L statement.

<u>GST treatment</u>

These supplies are input-taxed as per Division 40 of the GST Act and therefore are not subject to GST.

<u>Assurance procedures</u>

The taxpayer has nominated the following trial balance accounts. The figure is consistent with the value reported at note 4 of the 2019 financial statements.

Accordingly, we have a high level of assurance over this adjustment.

<table><tr><th>Account Code</th><th>Description</th><th>2019</th></tr><tr><td>2010</td><td>Bank interest expenses</td><td>10</td></tr><tr><td>2011</td><td>Bank account keeping fees</td><td>5</td></tr></table></td><td></td><td></td></tr>
<tr><td>Step 2

Adjustments – P&L statement</td><td>Foreign Exchange Losses

<u>Accounting treatment</u>

This adjustment relates to losses from movements in foreign currency reported as part of total expenses.

<u>GST treatment</u>

These amounts are not subject to GST and should be eliminated from the expense base.

<u>Assurance procedures</u>

The figure is consistent with the value reported at 4 of the 2019 financial statements.

Accordingly, we have a high level of assurance over this adjustment.</td><td>($15)</td><td>●</td></tr>
<tr><td>Step 2</td><td>Impairment</td><td>($5)</td><td>IM</td></tr>
</table>

Adjustments – P&L statement	This adjustment relates to impairment losses which is not subject to GST. Due to the quantum of this amount, this adjustment has not been further assured. *However, if this amount was material, it can be assured directly against the financial statements or underlying trial balance accounts. The expense is recognised on the P&L statement in relation to a reduction in the asset's book value. The timing of entitlement to GST credits is at the point of acquisition at the asset and there is no impact to GST credits in relation to a change in asset value.*		
Step 2 **Adjustments – P&L statement**	*Expenses without GST in the price* <u>Accounting treatment</u> This adjustment consists of the following trial balance accounts which have been reported as part of total expenses. <u>GST treatment</u> These amounts are not subject to GST and should be eliminated from the expense base. <u>Assurance procedures</u> The ATO's analysis of trial balance accounts confirms that these items do not include GST in its value. The ATO's analysis has not identified other accounts to be included in this adjustment. Accordingly, we have assigned a high level of assurance over this adjustment.	($100)	●

Account Code	Description	2019 ($)
2031	Entertainment Expenses (non-deductible)	3
2032	Fines and Penalties	2
2033	Fringe benefits tax	5

<table>
<tr>
<td></td>
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<table>
<tr><td>2034</td><td>Withholding tax</td><td>3</td></tr>
<tr><td>2035</td><td>Land rates</td><td>3</td></tr>
<tr><td>2036</td><td>Property tax and stamp duties</td><td>4</td></tr>
<tr><td>2037</td><td>Shipping costs</td><td>25</td></tr>
<tr><td>2038</td><td>Medical expenses</td><td>5</td></tr>
<tr><td>2039</td><td>Water</td><td>5</td></tr>
<tr><td>2040</td><td>Fuel Tax Credits</td><td>20</td></tr>
<tr><td>2041</td><td>Customs & Duty</td><td>10</td></tr>
<tr><td>2042</td><td>Stock Obsolescence</td><td>10</td></tr>
<tr><td>2043</td><td>Stock Revaluation</td><td>5</td></tr>
</table>
</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2

Adjustments – P&L statement</td>
<td>Depreciation and Amortisation Expense

<u>Accounting treatment</u>

This adjustment relates to the removal of depreciation and amortisation expenses from the expense base.

<u>GST treatment</u>

The timing of entitlement to GST credits is at the point of acquisition at the asset and therefore no GST credits are attached to these expenses.

<u>Assurance procedures</u>

The value of adjustment is consistent with “Depreciation and amortisation expenses” reported on the consolidated P&L statement.

Accordingly, we have a high level of assurance over this adjustment.</td>
<td>($50)</td>
<td></td>
</tr>
</table>

Step 3 **Capital Adjustments**	*Cost of purchasing capital or fixed assets* Accounting treatment The gross value of assets purchased is not recorded on the P&L statement. This adjustment refers to the gross value of assets purchased during the annual period and has been extracted from the Fixed Asset Register. The value of the adjustment is consistent with the amount of payments for property, plant and equipment disclosed in the Consolidated Statement of Cash Flows and the annualised Label G10 reported on Business Activity Statements. GST treatment The acquisition of assets results in a creditable acquisition in which GST is claimed on the value of assets. Assurance procedures As explained in section 3 of the TAR, a sample of 30% of all capital transactions were analysed and assessed as correctly treated for GST purposes. Accordingly, we have a high level of assurance over this adjustment.	$70	
Step 3 **Adjustments – Balance sheet**	*Prepaid expenses* Accounting treatment The advanced payment of annual insurance is initially capitalised on the balance sheet as an asset and is expensed into the P&L statement overtime. GST treatment The GST credits are claimed upon the initial payment of the insurance amount. Accordingly, the GST claimed is reflected in the closing balance on the balance sheet. Therefore, the movement between the closing and opening balance reflects the amount of GST credits claimed on prepayments which have not yet been reflected in the P&L statement.	$10	

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<u>Assurance procedures</u>

We have reconciled the $10m amount to the difference between the opening and closing balances on the trial balance.

However, the taxpayer has disclosed that only a limited amount is related to taxable general insurance. The prepaid expense amount is undissected and includes payments of health insurance and life insurance which are GST-free and input taxed supplies respectively.

Accordingly, we have low assurance on this adjustment as there is no correlation between the balance sheet movement and the amount of GST credits claimed on prepayments.

<table>
<tr><th>Account Code</th><th>Description</th><th>2019</th><th>2018</th></tr>
<tr><td>0740</td><td>Prepaid Expenses</td><td>70</td><td>60</td></tr>
</table>

</td>
<td></td>
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<td>

Step 3

Adjustments – Balance sheet

</td>
<td>

Timing adjustment – accrued expenses

<u>Accounting treatment</u>

This adjustment relates to accrued expense which have been incurred but not yet paid or no invoice received. The accrued expenses are recognised on the P&L statement.

<u>GST treatment</u>

As the invoice has yet to be received, GST is yet to be claimed on these amounts. The closing balance of the accruals account reflects expenses recognised on the P&L statement of which GST has yet to be claimed. For the 2019 financial year, the increasing adjustment is a result of the opening balance exceeding the closing balance. That is, GST credits were claimed on expenses in 2019 that were accrued in the previous year.

<u>Assurance procedures</u>

We have reconciled the $90m amount of the adjustment to the difference between the opening and closing balances.

</td>
<td>$90</td>
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However, the taxpayer has disclosed that the accruals also relate to GST-free expenses of which GST credits were not claimed. This would be impractical to quantify as it requires a transactional level analysis.
Accordingly, we assigned a medium level of assurance for this adjustment.
<table>
<tr><th>Account Code</th><th>Description</th><th>2019</th><th>2018</th></tr>
<tr><td>0743</td><td>Accrued Expenses</td><td>50</td><td>140</td></tr>
</table>
</td>
<td></td>
<td></td>
</tr>
<tr>
<td>
Step 3
Adjustments – Balance sheet
</td>
<td>
Timing adjustment – difference between Cost of Goods Sold and stock purchases
This adjustment is aimed at calculating the difference between Cost of Goods Sold (COGS) and actual purchases made throughout the year.
<u>Accounting treatment</u>
The purchase of stock and consumables are recorded on the Balance Sheet as inventory when they are acquired throughout the year. For accounting purposes, they are only reflected as part of COGS in the P&L statement when the stock is sold or consumed.
<u>GST treatment</u>
The timing of the GST claim is at the acquisition date of these expenses. The movement between the closing and opening balance reflects the amount of GST credits claimed on these expenses which have not yet been reflected in the P&L statement.
<u>Assurance procedures</u>
This adjustment is consistent with the vendor report which shows approximately $445m of stock purchases from regular suppliers of inventory and consumables compared to $400m as per the Cost of Goods Sold (difference of $45m).
Accordingly, we have a high level of assurance over this adjustment.
<table>
<tr><th>Account Code</th><th>Description</th><th>2019</th><th>2018</th></tr>
</table>
</td>
<td>$45</td>
<td></td>
</tr>
</table>

<table>
<tr><td></td><td><table><tr><td>0500</td><td>Inventory</td><td>145</td><td>105</td></tr><tr><td>0501</td><td>Consumables</td><td>30</td><td>25</td></tr></table></td><td></td><td></td></tr>
<tr><td>Step 4
Other adjustments</td><td>Rebates paid to customers
<u>Accounting treatment</u>
Rebates has been offset against total revenue.
<u>GST treatment</u>
As the taxpayer makes a decreasing GST adjustment and claims input tax credits, this requires an increase to the expense base to accord with GST reporting.
<u>Assurance procedures</u>
As set out in section 3 of the TAR, a sample of 10% of rebates have been analysed which confirms that the taxpayer makes a decreasing GST adjustment by claiming input tax credits at Label 1B of the BAS. The rebates amount has been extracted from Account Code 0010. This also corresponds with the adjustment in relation to the GST payable analysis at section 5.2.
Accordingly, we have a high level of assurance over this adjustment.<table><tr><th>Account Code</th><th>Description</th><th>Amount</th></tr><tr><td>0010</td><td>Rebates paid to customers</td><td>85</td></tr></table></td><td>$85</td><td></td></tr>
<tr><td colspan="2">Final adjusted expense amount</td><td>$705</td><td></td></tr>
<tr><td colspan="2">10% of Final adjusted expense amount</td><td>$70.5</td><td></td></tr>
<tr><td colspan="2">Label 1B amount reported for the period</td><td>$70</td><td></td></tr>
<tr><td colspan="2">Variance</td><td>$.5</td><td></td></tr>
</table>

Analysis - GST Payable

The application of the GAT has explained the variance between revenue and GST payable. For the 2019 financial year, the prima facie effective rate of 10.91% has been revised to an adjusted effective rate of 9.95% as a result of the adjustments provided.

For the review period, the major reasons for the variance included:

- Exports and GST-free sales of $60m which are not subject to GST
- Disposal of assets of $65m of which the gross value was not reflected in the P&L statement
- Deferred revenue of $40m which have been recognised and billed for GST purposes but have not yet been recognised in the P&L statement
- Rebates paid to customers of $85m which were offset against total revenue and triggered decreasing GST adjustments.

The remaining variance has not been linked to a particular adjustment and is likely related to timing differences between accounting and GST recognition that could only be quantified at the transactional level. It is $0.5m and hence not material for GAT purposes.

Analysis - GST Claimed

The application of the GAT has explained the variance between expenses and GST claimable. For the 2019 financial year, the prima facie effective rate of 9.33% has been revised to an adjusted effective rate of 9.93% as a result of the adjustments provided.

For the review period, the major reasons for the variance included:

- Payroll expenses of $150m which are not subject to GST
- Various expenses totalling $100m which do not contain GST in the price
- Purchase of capital items totalling $70m which have been supported by the Fixed Asset register
- Accrued expenses of $90m which have been recognised for accounting purposes but have not yet been billed or paid
- Rebates paid to customers of $85m which were offset against total revenue and triggered decreasing GST adjustments.

The remaining variance is linked to the accruals adjustments which contains a mix of taxable and non-GST bearing amounts. The breakdown of these accounts could only be quantified at the transactional level. As the amount is $0.5m, it is immaterial for the purposes of applying the GAT.

Conclusions and Next Steps

As a result of applying the GAT, we understand why the accounting and GST results vary and this understanding is sufficiently supported by objective evidence. The prima facie effective rate of 26.66% has been revised to an adjusted effective rate of 10.00% as a result of the adjustments provided.

The major adjustments have been assessed under other focus areas of the review and we have verified that these adjustments have been accurately reported for GST purposes.

This has resulted in a **Stage 3** rating for this focus area.

Appendix A – GAT ratings

Understanding the alignment between accounting and GST

We analysed the various streams of economic activity and sought to understand how they are treated for GST purposes.

	Stage 3	We understand and can explain the variance between accounting figures and the amounts reported on the BAS. As a result of applying the GAT, we understand why accounting and GST results vary and this understanding is sufficiently supported by objective evidence.
	Stage 2	Further analysis and explanation is required to understand the variances between accounting figures and the amounts reported on the BAS. As a result of applying the GAT, we do not fully understand why accounting and GST results vary and/or this understanding is not sufficiently supported by objective evidence.
	Stage 1	We do not understand and cannot explain the variances between accounting figures and the amounts reported on the BAS.
	Red flag	We identified concerns from our analysis of the variances between accounting figures and the amounts reported on the BAS.
NR	Not rated	We have not assessed the various streams of economic activity and/or why accounting and GST results vary using the GST analytical tool.