



Australian Government
Australian Taxation Office

GST analytical tool

Frequently asked questions

Top 100 justified trust program

4 July 2024

GST analytical tool

The GST analytical tool (**GAT**) is one of the tools we use to obtain greater assurance you are paying the right amount of GST. The tool is one of the ways we satisfy the fourth focus area of the justified trust methodology by helping us understand why the accounting and tax results vary. The tool uses a standard method statement applying a 'top down' approach to identify and understand variances between accounting figures reported in audited financial statements and GST reported on business activity statements (**BAS**). The purpose of the GAT is to understand the reasons for the differences arising between accounting and GST figures, and to verify them with objective evidence. The GAT will provide us with a holistic view of the business and help us get assurance over a taxpayer's economic activity.

In this publication, we have addressed queries raised in the GAT external consultation process. This publication provides context to the GAT's application to GST assurance reviews tax assurance reports in terms of the process surrounding assurance rating the overall calculation, the objective evidence accepted, and how we assess tolerance levels for variances found. We have also articulated how we intend to work with taxpayers in calculating the GAT by reference to their different accounting systems, business models and operating circumstances.

Question	Answer
Is the GAT integral or essential to the GST review? How relevant is the GAT in the overall scheme of GST reviews? It is not clear from the guidance what the impact of the assurance rating for the GAT has on the overall assurance rating for GST justified trust. The ATO's explanation of the minimum expectations for governance ratings to achieve GST justified trust assurance stage ratings in the GST Governance, Data Testing and Transaction Testing Guide has been very useful for taxpayers to determine their approach to GST governance. We suggest that a similar approach would assist taxpayers understand the importance of the GAT to GST justified trust and guide their approach to it.	Yes, the GAT is a compulsory element of a review to assure the GST outcomes of a taxpayer by reference to the audited financial statements by analysing the GST treatment of a taxpayer's economic activity. The GAT is one of the ways we satisfy the fourth focus area of the justified trust methodology in understanding why the accounting and tax results vary. A GAT analysis is required for the Top 100 GST assurance program (other than predominantly input-taxed industries). In the Top 1,000 combined assurance program reviews (CAR) we require the GAT to be completed for all taxpayers that predominantly make taxable supplies. Taxpayers in the financial services industry that is banks and

Question	Answer
Historically, there has been a great deal of inconsistency in how the GAT has been requested during Top 1,000 GST assurance program reviews (SARs), with variances from not being requested at all to it being requested with extensive scrutiny and it solely impacting a Stage 2 to 3 rating. The ATO must ensure that the methodology is applied consistently amongst taxpayers. It would be helpful if more detail could be provided by the ATO about the skillset of the GAT team who will provide comment on the appropriateness of variances and assign any risk ratings. The taxpayer should have comfort that those at the ATO are sufficiently knowledgeable about the variances between accounting and tax treatments.	insurance entities, the property sector, and/or with very complex structures will be considered on a case-by-case basis. The Top 100 and Top 1,000 GAT examples demonstrate our intended approach to the GAT for each program. We have set out below the considerations that underpin a GAT rating as well as the interplay between the GAT and the other focus areas in a GST assurance review. We have established GAT support networks across both the Top 100 and Top 1,000 GST assurance programs to support our case teams in the application of the GAT and to facilitate a consistent approach across each program. These networks include accounting specialists.
Does the GAT calculation and analysis happen concurrently during the review?	We seek to apply the GAT at an early stage of the GST assurance review to provide an informed basis to drive the work program across the full review. It is important to note that the GAT should not be looked at as a standalone measure. The fourth focus area is interconnected with the other focus areas – that is, we will seek to obtain assurance over adjustments derived through the GAT through other focus areas of the review.
What is the ATO's approach to taxpayers who are unable to apply the GAT due to their size, structure or grouping?	The GAT provides for adjustment referable to grouping differences as between the accounting and GST groups. We will work collaboratively with taxpayers who have particular challenges with completing the GAT by helping them to find solutions using information from their existing systems as well as information we have

Question	Answer
	gathered from our income tax assurance reviews. This includes working with our accounting specialists.
The ATO needs to clearly articulate the framework which applies to taxpayers for their GST reviews – for example, expectations around Stage 3, how to get there, whether we need to have 100% accurate reconciliation under GAT before moving to Stage 3, whether you can reach Stage 3 without the GAT (where the GAT is unworkable).	If we agree that the GAT should not form part of a GST assurance review, it is not taken into account in determining the overall level of assurance for the taxpayer. If we take the view that a GAT should form part of the GST assurance review, it will be taken into account when determining the overall level of assurance, including when a GAT analysis is not performed. However, in determining the level of assurance for the fourth focus area and the overall level of assurance, we will also consider what other objective evidence is available in order to understand and explain the variance between accounting and GST results. We recognise that the GAT is a tool and a means by which an understanding as to the accounting and tax variances under the fourth focus area can be achieved, but it is not the only means by which this can be achieved. This is the staged rating system we use for the fourth focus area: Stage 3 We understand and can explain the various streams of economic activity and why accounting and GST results vary and this understanding is sufficiently supported by objective evidence. Stage 2 We do not fully understand why accounting and GST results vary or this understanding is not sufficiently supported by objective evidence.

	Stage 1 We do not understand why accounting and GST results vary. Red flag We do not understand and cannot explain the various streams of economic activity or why accounting and GST results vary. Not rated We have not assessed the various streams of economic activity or why accounting and GST results vary using the GST analytical tool. A Stage 3 rating for the fourth focus area is practically achievable and will depend upon factors such as: • the extent to which adjustments can be assured directly from the audited financial statements such as depreciation, amortisation, employee expenses, interest, and disposals or acquisitions of capital assets sourced from the income statement, balance sheet, cash flow statement and notes • the ratings in respect of assurance work undertaken in relation to transactions or specific tax risks such as GST-free sales and input-taxed supplies that may form part of the variance between the income statement and Labels 1A and 1B • our level of assurance in respect of tax risks flagged to market in so far as they may apply to adjustments referable to the variance between the income statement and Labels 1A and 1B • objective evidence provided to verify the values disclosed for other adjustments. This could be in the form of general ledger (GL) codes in trial balances that are mapped to the audited financial statements which could form the basis of sample testing.
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Question	Answer
	The assurance rating assigned to the fourth focus area will be a matter of professional judgment. It will not be required that all individual adjustments need to be at Stage 3 as a precursor to an overall Stage 3 for the fourth focus area, however this will depend on the nature of these adjustments. The Top 100 and Top 1,000 GAT examples demonstrate this approach where the GAT is applied.
What is the 'GAT-Lite' process? How does a taxpayer get to the level of applying the ATO's 'light touch' approach?	The 'GAT-Lite' was initially proposed to be rolled out in our new CAR product. It involved applying the GAT to the supply (revenue) side only. After obtaining feedback from various forums and organisations (both internally and externally) we will not be proceeding with the GAT-Lite concept. However, the GAT is a compulsory component of a CAR for taxpayers who predominantly make taxable supplies. The GAT is not intended for use by taxpayers who predominantly make input taxed supplies that is those in the financial services industry. For taxpayers who predominantly make input taxed supplies we will undertake data and transaction testing. Taxpayers in the insurance and property sectors or with very complex structures will be considered on a case by case basis.
Frequency of GAT application by taxpayer independent of SAR process. It was discussed that the ATO would view application of the GAT by a taxpayer independent of the SAR process as evidence of good governance. In terms of frequency, would an annual calculation be	As the GAT seeks to understand the variances between the annual audited financials to 12 BAS', it is intended that the GAT is used annually. An annual calculation is sufficient to contribute to the highest possible rating for Managerial Level Control 7 – Procedures to explain significant differences.

Question	Answer
appropriate for this purpose or is it expected that it is undertaken more regularly?	Taxpayers are welcome to apply an equivalent calculation more regularly at their discretion.
As some tax managers have noted that they would prefer not to complete the GAT themselves, could they provide the information for the ATO to undertake the calculation and analysis?	In an assurance review, the understanding and assuring of the accounting to BAS adjustments should be a collaborative approach. While we can make our best efforts to determine and assure the basis of the adjustments based on information requested from taxpayers, we still require taxpayers to work with us in order to understand the nature of financial accounts, ascertain the information required, explain variances and validate any proxies used. The interconnectivity between the GAT line adjustments with the balance of the assurance review means that this assurance work will be progressed in conjunction with the other 3 focus areas of the assurance review.
Will the GAT seek to cover 75% of GST throughput?	In both the Top 100 and Top 1,000 assurance reviews, the GAT will seek to match the scope of the assurance review which generally will be at least 75% of GST throughput of the tax consolidated group.
Which industries are excluded from the application of the GAT? It is understood that the GAT is not intended to apply in input taxed businesses. Guidance should be given as to whether this also includes say, financial services businesses that make GST-free supplies (that is, as a result of offshore supplies). What proportion of supplies need to be input taxed for the GAT to not be applied?	For the time being, industries that are predominantly input-taxed are excluded from applying the current GAT. The current GAT does not apply to businesses with 'predominantly' input-taxed supplies, that is, where these represent the primary and vast majority of the source of business income. Where your business is substantially diversified across input-taxed and non-input taxed segments or divisions we will generally apply the GAT.

Question	Answer
How is the GAT applied to input taxed industries? Which industries are excluded from the application of the GAT?	At this stage, we are focussing on applying the GAT on non-input taxed taxpayers. Industries that are predominantly input-taxed are excluded from the current GAT.
Are taxpayers expected to complete this themselves or do ATO case teams pre-fill aspects of it?	As far as is possible, our case teams in Top 100 GST assurance reviews can help to pre-fill the GAT workbook with specific adjustments to create a low-resolution GAT analysis which will be discussed with the taxpayer to refine the calculation so that a higher rating can be achieved. With respect to the Top 1000 in a CAR, taxpayers are expected to complete the GAT themselves. Case teams are always available to assist taxpayers in this process where required. We will in both the Top 100 and Top 1000 work collaboratively with taxpayers to complete the GAT. However, there is an expectation as part of good governance and in relation to managerial level control (MLC) 7 that a taxpayer has a process in place to explain BAS reporting of GST payable and GST receivable compared to business outcomes, any variances in comparison to financial statements (for instance, through the regular application of the GAT).
When items are pre-filled, or come straight from the financials, does the ATO expect taxpayers to provide additional evidence?	Adjustments that are able to be assured directly from audited financial statements do not require any additional information from the taxpayer.

Question	Answer
In terms of asking for a consolidation pack and trial balances for an accounting group, would this be included as part of RFI1? Is it possible to have something in the early notification letter to indicate examples of objective evidence?	The GAT would be requested through the first request for information (RFI) along with objective evidence. The trial balance and consolidation pack form a key part of this evidence. In the Top 1,000 program, the RFI has been recently amended to request the trial balance and financial statements. The RFI will be sent with the early notification letter.
Are adjustments only derived from the financial statements or does the ATO look at working papers as well?	We predominantly look at trial balance accounts mapped to financials in relation to adjustments that are not directly assured from the financial statement disclosures. However, we can also consider fixed asset registers, internally generated coding reports or income tax return working papers if we have a high level of confidence that we can rely on these materials. Some GAT line adjustments will also be assured through assurance work undertaken in other focus areas such as transactions or specific tax risks.
How does the ATO identify intragroup transactions when quantifying grouping variances?	For the purposes of adding back or eliminating intragroup transactions, taxpayers may need to generate an annualised internal report by entity code, customer code (for revenue) or vendor code (for expenses). It may also be possible that taxpayers utilise existing tax coding to classify transactions taking place within a GST group.
Does the ATO need the consolidated trial balance if the groups are matched?	Yes. The consolidated trial balance will provide us the details behind the financial statements. This will allow both the case team and taxpayer to identify adjustments to complete the GAT.

Question	Answer
How does the ATO resolve the issue of reverse-charging of GST through the GAT?	Reverse-charging would usually arise in input-taxed industries which is beyond the current scope of the GAT. If reverse-charged amounts do arise, they can be adjusted for under Step 4 of the GAT method.
Due to accounting standard changes, are there any concerns with taxpayers who may restate valuations of accounts so they may not align with historical BAS data?	Changes to accounting standards are related to the timing of revenue recognition. This will result in an income statement related adjustment to align with GST reporting.
How far does the ATO go in verifying annualised figures through other focus areas of the review?	The assurance review will be in respect of 12 BAS' and the primary purpose of the assurance review is to assure Labels 1A and 1B for this period. Transactions or specific tax issues analysis will be in respect of a 12-month period. In the Top 100 correct reporting testing will generally be in respect of a 3-month period used as a representative sample of a 12-month period. For the Top 1000 we verify transactions through a review of the BASs for months 1, 6 and 12 of the review period together with a review of new, significant and specific issues for the 12-month review period.
What is an acceptable level of variance (for example, 1%, 2–3%, 4%) if the ATO is willing to not require a 100% reconciliation between the BAS and the accounts? What is the materiality threshold for GAT in GST reviews?	There is no predetermined set variance for the percentage differences or dollar values in the GAT outcomes. Materiality is not an appropriate concept as the purpose of the GAT is to understand the variances.

Question	Answer
Will the ATO apply a pragmatic approach and accept a small margin of error when applying the GAT versus expecting a full reconciliation of the BAS to the accounts?	The assurance rating in respect of the GAT where it is used to satisfy the fourth focus area is based on the application of professional judgment and takes into account the following 4 key factors: 1. level of our understanding of reasons for variance between accounting and GST results 2. level of objective evidence provided by the taxpayer where there are gaps in our understanding 3. an assessment of the unexplained net GST dollar variance 4. an assessment of the effective net GST rate. The first 2 factors are the most significant factors in determining the GAT and the fourth focus area rating. We do not expect a full reconciliation of the BAS to the accounts. Qualitative explanations provided by the taxpayer in respect of the variances and the suitability of evidence provided will be considered. We will assess on a case-by-case basis and using professional judgment whether the explanations provided by the taxpayer in respect of variances are reasonable and whether these explanations align with our understanding of the business of the taxpayer and its industry.
Is the GAT a useful control for taxpayers to indicate to them whether their BAS is complete or not?	The GAT provides valuable insights into the completeness of BAS reporting, as it is based on the audited financial statements, verified by independent auditors.

Question	Answer
	The work to date demonstrates that the principal benefits derived from the tool are increased assurance of the GST outcomes of economic performance in 5 ways: 1. providing an understanding of a taxpayer's GST profile 2. identifying key drivers of GST performance 3. increased confidence that non-routine transactions are captured and that the BAS outcomes and disclosures are consistent with the financial statement disclosures 4. assisting to assure the GST outcome of transactions from information set out in the audited financial statements such as income statement, balance sheet, cash flow statement and notes to the accounts 5. audited financial statements assist in providing assurance in relation to quantum of GST-impacted transactions. We would expect taxpayers to be comparing BAS disclosures to financials as part of good tax governance.
Is it possible to obtain high assurance (Stage 3) when there already is a huge divergence between the financials and GST figures (before adjustments)?	The purpose of the GAT is to understand and explain the reasons for this variance. The initial divergence as between the income statement and the BAS disclosures is not determinative of an assurance rating. The fourth focus area rating is based on whether adjustments are well explained, linked to appropriate evidence, or assured through other focus areas.

Question	Answer
What is the correlation between individual ratings for each adjustment and the overall assurance rating for the fourth focus area?	Ratings will only be individually rated for each adjustment in the Top 100 assurance program. The individual ratings in respect of the GAT adjustments will inform the overall fourth focus area rating. In both the Top 100 and Top 1,000 assurance programs, the overall fourth focus area rating is based on the extent to which adjustments are well explained, linked to appropriate evidence, or assured through other focus areas.
During the call ATO officers raised ‘known’ reconciliation issues that had been identified through both the GAT pilot and subsequent applications by taxpayers. We would encourage the ATO to collate these and publish them to assist and guide other taxpayers in undertaking GAT. For example, these could be added to the ATO’s website and updated regularly.	So far, we have observed that: • income statement adjustments were relatively simple to extract • revenue analysis was relatively straightforward to undertake in most industries • balance sheet movements appropriately reflected the majority of timing differences between GST and accounting • cash flow statements and notes to the accounts are useful in assuring revenue and expense GAT adjustments. However, there are some challenges we have observed to date including reconciling complex grouping variances, and the quantification of some differences (that is, long-term construction contracts or mixed accounts where GST-bearing or non-GST bearing amounts are difficult to separate and quantify). We continue to work with our taxpayers collaboratively through these challenges supported by the GAT support networks across each program.

Question	Answer
<u>Use of proxies</u> The use of proxies was discussed during our consultation session. In relation to the detailed examples that will be provided for the Top 100 and Top 1,000 population, it would be helpful if these can address the use of proxies including commentary as to the ATO's views on the use of such proxies. Where there are difficulties in calculating adjustments without analysing transactional data, is this considered when assigning the assurance rating for the fourth focus area?	We understand there will be some adjustments that are difficult to support with objective evidence. In these circumstances, we will seek to understand how the figure is derived and expect to see the calculations behind it. Where this is not possible, we will work with the taxpayer to agree an appropriate approach. We will consider the use of proxies or assumptions (for example, using an average foreign currency translation rate instead of daily) where they are appropriate and relevant. We will also consider sample testing invoices in relation to transaction accounts with entries referable to GST bearing and non-GST bearing amounts.
There are taxpayers in the Top 100 and Top 1,000 population that perform a periodic reconciliation as between the GST figures and the management accounts. Would this approach be considered as part of the GAT as an alternative to a reconciliation back to the financial statements?	The GAT is our method to understand the variances from the audited financial statements as a source of objective evidence. Where taxpayers are periodically reconciling to the management accounts, this will assist in the application of the GAT in terms of identifying and assuring the reasons for the variances as between the income statement and the BAS.
Would it help if a taxpayer independently undertakes the GAT as part of their internal GST governance framework?	Yes. There is an expectation in relation to MLC 7 that a taxpayer has a process in place to explain BAS reporting of GST payable and GST

Question	Answer
	receivable compared to business outcomes and to explain variances in comparison to financial statements.
Feedback from clients is such that there is continued confusion over the difference between the GAT and GST transactional analytical tools. In any new guidance issued it would be helpful to explain the differences between the two and to explain where and why clients may be expected to complete both. It would be helpful if the ATO could provide further explanation as to what GST risks the exercise is looking to address, particularly where detailed transaction testing is completed. The GAT simply identifies transactions that are included or omitted from the BAS compared to the financials. As such, where there has already been assurance provided over the accuracy of transactions and reconciliation of BAS data to GL, the additional requirement to reconcile the GL to the GAT can be seen as onerous.	The GAT and data testing are separate assurance processes. The GAT, as a top-down assurance approach, is designed to unpack the financial statements for the purpose of understanding the GST outcomes of the taxpayer's economic activity as reflected in the income statement. The GAT provides greater insight and visibility through a more granular understanding of revenue and expense categories. Our data analytics and e-audit testing is a bottom-up approach and focuses primarily on accounts payable and accounts receivable. The GAT allows us to: • focus on specific risks for further analysis • facilitate the comparison of BAS disclosures to the audited financial statement disclosures • identify GST-impacted transactions outside the accounts payable and accounts receivable modules (that is, GST adjustment events).
Is the ATO finding that taxpayers are applying the GAT already as part of their usual processes?	We are in the Top 100 increasingly observing taxpayers embedding the GAT into their processes, consistent with the expectations in respect of MLC 7 being designed effectively. We note that there are fewer taxpayers embedding the GAT in their usual process within the Top 1000 population.

Question	Answer
How many or what entities are the ATO expecting can or will get to Stage 3 (besides the banks)? It would be helpful if the ATO could publish any benchmarking of findings and variances so that taxpayers can have clarity on what may be considered reasonable and what findings result in which ratings.	Of the GATs completed to date, most taxpayers have reached either a Stage 2 or Stage 3 rating with respect to the fourth focus are, however, there have been some low and red flag assurance ratings. Our observations will continue to be published in our Annual Findings Report.
The ATO should consider providing taxpayers with the option of receiving the GAT model in both a password protected version, and an unprotected version. The unprotected version will provide greater flexibility for taxpayers when trying to capture and insert supporting documents or files.	The GAT workbook is password protected in order to preserve the formula and cell references. An unprotected workbook can be provided upon request.
Will the GAT apply to a GST joint venture?	The GAT methodology needs to be applied to all the corporate GST groups and incorporated joint venture groups included within the scope of the overall GST assurance review. GAT methodology will be applied to the incorporated joint ventures just as it would have to any other corporate GST group. GAT methodology will not be applied to unincorporated joint ventures. In the absence of GAT for unincorporated joint ventures, we may need to conduct up to 12-month data testing for the unincorporated joint venture GST groups included in the scope of the overall GST assurance review.

References

[GST Governance, Data Testing and Transaction Testing Guide](#)

ATO references

BSL: ISP

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