GSTA TPP 044 - Goods and services tax: What action will the Tax Office take if a taxpayer recognises an underpayment and decides to make an adjustment in the current activity statement (BAS), but Tax Office compliance action commences before the current BAS is due?

⚠️ This cover sheet is provided for information only. It does not form part of *GSTA TPP 044 - Goods and services tax: What action will the Tax Office take if a taxpayer recognises an underpayment and decides to make an adjustment in the current activity statement (BAS), but Tax Office compliance action commences before the current BAS is due?*

⚠️ This document has changed over time. This is a consolidated version of the ruling which was published on *14 June 2005*

Goods and Services Tax Advice

Goods and services tax: What action will the Tax Office take if a taxpayer recognises an underpayment and decides to make an adjustment in the current activity statement (BAS), but Tax Office compliance action commences before the current BAS is due?

Preamble

This document is a ruling for the purposes of section 37 of the Taxation Administration Act 1953. You can rely on the information presented in this document, which provides advice on the operation of the GST system.

Answer

The Tax Office may allow an entity to use the arrangements in the *Correcting GST Mistakes* fact sheet and include the underpayment in its next activity statement, if a known error that is a genuine mistake and is within the time and correction limits set out in the fact sheet, is voluntarily disclosed to the auditor at the commencement of the audit.

Background

The *Correcting GST Mistakes* fact sheet provides a process for entities to correct mistakes without exposure to administrative penalties or the general interest charge.

Explanation

An entity is given the opportunity to voluntarily disclose any underpayment of GST at the commencement of an audit. The entity should immediately notify the auditor of the error and resulting underpayment of GST.

If a known error is voluntarily disclosed to an auditor at the commencement of an audit, it can be more readily accepted that the error is a genuine mistake and that the entity intended to correct the error irrespective of the audit. We expect that the entity will be able to produce evidence of its prior discovery of the error and of its intention to correct the error in its next BAS. The evidence may take the form of a journal entry in the books of account, prior to the notification of compliance action, showing the correction of the error. There would need to be an assurance that the accounting system had transaction audit logs that cannot be altered or turned off.

Failing to make a disclosure of a known error, or leaving it to be discovered by the auditor, does not support a conclusion that the error was a genuine mistake.

Application of this GST Advice

This Advice explains our view of the law as it applied from 1 July 2000. You can rely on this Advice on and from its date of issue for the purposes of section 37 of the *Taxation Administration Act 1953*. Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

If this Advice conflicts with a previous private ruling that you have obtained, this public ruling prevails. However, if you have relied on a private ruling, you are protected in respect of what you have done up to the date of issue of this public ruling. This means that if you have underpaid an amount of GST, you are not liable for the shortfall prior to the date of issue of this later ruling. Similarly, you are not liable to repay an amount overpaid by the Commissioner as a refund.

Commissioner of Taxation
Date

Subject references:
correcting GST mistakes
underpayment'
compliance action
general interest charge
penalty

Legislative references:
TAA 1953 37

Other references:
Correcting GST mistakes – fact sheet

ATO references

NO:	05/3095
ISSN:	1833-0053