

GSTR 2001/7A3 - Addendum - Goods and services tax: meaning of GST turnover, including the effect of section 188-25 on projected GST turnover

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Addendum

Goods and Services Tax Ruling

Goods and services tax: meaning of GST turnover, including the effect of section 188-25 on projected GST turnover

This Addendum is a public ruling for the purposes of the *Taxation Administration Act 1953*. It amends Goods and Services Tax Ruling GSTR 2001/7 to reflect amendments made to the GST turnover tests in subsections 188-15(3) and 188-20(3) of the *A New Tax System (Goods and Services Tax) Act 1999* by the *Tax and Superannuation Laws Amendment (2016 Measures No.1) Act 2016*.

Schedule 1 of the *Tax and Superannuation Laws Amendment (2016 Measures No.1) Act 2016* (about business to consumers supplies) applies from 1 July 2017 and Schedule 2 (generally about business to business supplies) applies from 1 October 2016.

The Schedule 1 amendments modify the exclusion for supplies of rights so that a supply of a right or an option to an Australian consumer is included in the GST turnover of the entity with the GST liability if the underlying supply is not a supply of goods or real property and the supply is not GST-free.

The Schedule 2 amendments ensure that GST-free supplies made by a non-resident supplier are not counted towards the GST turnover tests where the supply is not made through an enterprise the non-resident carries on in the indirect tax zone (Australia).

The update also includes information about additional choices and concessions for a 'small business entity' (SBE) under the *Income Tax Assessment Act 1997*.

GSTR 2001/7 is amended as follows:

1. Paragraphs 1, 9 and 29

Omit sub-paragraph numbering; substitute bullet points.

2. Throughout

Where cross-references are being made to other paragraphs or examples contained in the Ruling, and where not already occurring, after the paragraph or example number, insert 'of this Ruling'.

3. Paragraph 2

(a) Omit the paragraph (including footnote 3A, but excluding footnotes 2 and 3); substitute:

2. This Ruling does not deal with:

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- the application of sections 188-22, 188-23, 188-24 or 188-40 to the calculation of current GST turnover or projected GST turnover;
- the value of a supply as affected by sections 188-32 or 188-35;²
- the meaning of 'connected with the indirect tax zone' (referred to as 'Australia' in this Ruling;³ and
- how to calculate your 'aggregated turnover' or 'annual turnover' as defined in sections 328-115 and 328-120 of the *Income Tax Assessment Act 1997* (ITAA 1997).

(b) Omit the wording in footnote 3; substitute:

³ The indirect tax zone is the area that Australia's GST applies to and is defined in section 195-1.

4. Paragraph 4

After 'legislative references', insert 'in this Ruling'.

5. Paragraph 6

(a) Omit the words 'and in particular; substitute 'and, in particular'.

(b) At the end of the paragraph insert footnote 3B:

^{3B} Section 188-10.

6. Paragraph 7

(a) Omit the paragraph (including footnote 5 but excluding footnote 4); substitute:

7. If you carry on an enterprise that is also a business^{3C}, your GST turnover is relevant to whether you⁴:

- are required to register for GST;
- must use monthly tax periods;
- must lodge GST returns electronically; and
- must pay net amounts of GST electronically.

(b) After the word 'business', insert footnote 3C:

^{3C} For example, a government entity may carry on an enterprise without carrying on a business.

7. Paragraph 7A

(a) Omit the paragraph (excluding footnotes 5A and 5B); substitute:

7A. You have additional choices and concessions if you are a 'small business entity' (SBE) under the ITAA 1997.^{5A} SBE is a concept from income tax^{5B} which also affects how some thresholds apply in GST. An SBE may:

- elect to account on a cash basis;

- elect to pay GST by instalments;
- elect to make an annual apportionment of creditable purpose; or
- use a simplified accounting method determined by the Commissioner under section 123-5.

7B. To be an SBE, your aggregated turnover must be less than \$10 million or if you were above \$10 million last year you will still be an SBE if your aggregate turnover is likely to be less than \$10 million this year.^{5C} This Ruling does not deal with how to calculate aggregated turnover to determine whether you are an SBE, but the table in paragraph 8 of this Ruling sets out the relevant turnovers for SBEs as well as other entities.

7C. If you carry on an enterprise that is not a business for GST purposes, GST turnover thresholds are relevant to whether you^{5D}:

- are required to register for GST;
- must use monthly tax periods;
- can elect to account on a cash basis;
- must lodge GST returns electronically;
- must pay net amounts of GST electronically;
- can elect to pay GST by instalments;
- can elect to make an annual apportionment of creditable purpose; or
- can use a simplified GST accounting method determined by the Commissioner under section 123-5.

(b) Omit the wording in footnote 5A; substitute:

^{5A} However this does not apply if you are an SBE only because your aggregated turnover for the current year is less than \$10 million. See subsection 328-110(4) of the ITAA 1997.

(c) Omit the wording in footnote 5B; substitute:

^{5B} Section 328-110 of the ITAA 1997.

(d) At the end of the first sentence in new paragraph 7B, insert footnote 5C:

^{5C} Section 328-110 of the ITAA 1997.

(e) At the end of the first sentence in new paragraph 7C, insert footnote 5D:

^{5D} Refer to section 188-5.

8. Paragraph 8

Omit the paragraph (including footnotes 6, 7, 8, 9, 10, 10A and 10B); substitute:

8. This table sets out the relevant thresholds for GST turnover.

GST turnover amount	Relevant threshold conditions	Provision
\$75,000 or more	Enterprises required to register for GST	section 23-15
\$150,000 or	Non-profit bodies required to	section 23-15

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GST turnover amount	Relevant threshold conditions	Provision
more	register for GST	
\$2 million or less	Non-business entities: <ul style="list-style-type: none"> can account on a cash basis can elect to pay GST by instalments can elect to make an annual apportionment of creditable purpose can use a simplified accounting method determined by the Commissioner 	<ul style="list-style-type: none"> subsection 29-40(3) subsection 162-5(2) subsection 131-5(2) subsection 123-7(2)
\$10 million or less	Small business entities (SBEs): <ul style="list-style-type: none"> can elect to account on a cash basis can elect to pay GST by instalments can elect to make an annual apportionment of creditable purpose can use a simplified GST accounting method determined by the Commissioner 	<ul style="list-style-type: none"> subsection 29-40(1) subsection 162-5(1) subsection 131-(1) subsection 123-7(1)
\$20 million or more	All enterprises for GST: <ul style="list-style-type: none"> must use monthly tax periods must lodge GST returns electronically must pay net amounts of GST electronically 	<ul style="list-style-type: none"> subsection 27-15(3) subsection 31-25(4) subsection 33-10(2)

9. Paragraph 10

- (a) After 'small enterprise turnover thresholds', insert 'for an entity that carries on an enterprise, that is not also a business for GST'.
- (b) Omit sub-paragraph numbering; substitute bullet points.

10. Paragraph 13

After 'member of the group', insert '(excluding internal supplies)'.

11. Paragraph 14

- (a) Omit the last three dot points (including footnote 10C); substitute:

- supplies of rights or options that are connected with Australia because of paragraph 9-25(5)(c) (unless the right or option is supplied to an Australian consumer, is not GST-free and relates to the acquisition of an intangible)^{10BA};
 - supplies (other than those mentioned in the immediately preceding two dot points) of a right or option to use commercial accommodation in Australia where the supplies are not made in Australia and are made through an enterprise that the supplier does not carry on in Australia;
 - supplies made from one member of a GST group to another member of that GST group; and
 - GST-free supplies made by a non-resident supplier that are not made through an enterprise they carry on in Australia.^{10D}
- (b) At the end of the fifth dot point, insert footnote 10BA:
^{10BA} The term 'intangible' refers to something other than goods or real property. These types of supplies are excluded from GST turnover in working out net amounts for tax periods starting on or after 1 July 2017. Prior to this date all supplies of rights or options that are connected with Australia because of paragraph 9-25(5)(c) were excluded. See Example 4 of this Ruling.
- (c) At the end of the last dot point, insert footnote 10D:
^{10D} See Law Companion Ruling LCR 2016/1 *GST and carrying on an enterprise in the indirect tax zone (Australia)* for further guidance. This is applicable to net amounts for tax periods starting on or after 1 October 2016.

12. Paragraph 15

Omit the second sentence.

13. Paragraph 17

- (a) Omit 'sub-section'; substitute 'subsection'.
- (b) After 'particular', insert 'turnover'.
- (c) Omit 'can not'; substitute 'cannot'.

14. Paragraph 18

- (a) Omit 'sub-section'; substitute 'subsection'.
- (b) Omit 'can not'; substitute 'cannot'.

15. Paragraph 20

- (a) Omit the paragraph (excluding footnote 11); substitute:

If you have elected to pay GST by instalments, this election has effect for the whole of the financial year in question even if, after making the election, you cease being an SBE for an income year, or^{10E} if you carry on an enterprise, but not a business, you exceed the instalment turnover threshold at any time.¹¹ Therefore, it is not

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necessary to review your GST turnover, for this purpose, for the financial year in which your election has effect.

- (b) After 'or', insert footnote 10E:

^{10E} Subsection 162-30(5).

16. Paragraph 57

- (a) After the paragraph, insert:

Example 4: Determining if an offshore freight forwarder is required to register

57A. Global Transporters, a non-resident freight forwarder that has no presence in Australia, is contracted by an Australian consumer to transport bicycle frames to a place of consignment in Australia.

57B. Although Global Transporters services are partly connected with Australia they are GST-free.²¹ Therefore, the value of these supplies does not count towards Global Transporter's GST registration turnover threshold and they do not need to register for GST as a result of these supplies.²²

- (b) After the first sentence in new paragraph 57B, insert footnote 21:

²¹ Table item 5 in subsection 38-355(1).

- (c) At the end of new paragraph 57B, insert footnote 22:

²² See paragraph 188-15(3)(d).

17. Paragraph 58

After paragraph 53, insert:

Example 4: Determining if an offshore freight forwarder is required to register 57A

18. Related Rulings/Determinations

Omit related rulings and determinations; substitute:

TR 2006/10; GSTD 2006/6; GSTR 2000/31; GSTR 2001/4; GSTR 2012/2; LCR 2016/1; MT 2006/1

19. Subject references

Omit all subject references including the heading.

20. Legislative references

Omit legislative references; substitute:

- ANTS(GST)A 1999 9-5
- ANTS(GST)A 1999 9-5(b)
- ANTS(GST)A 1999 9-10
- ANTS(GST)A 1999 9-20(1)(b)
- ANTS(GST)A 1999 9-25
- ANTS(GST)A 1999 9-25(5)(c)

- ANTS(GST)A 1999 Subdiv 9-C
- ANTS(GST)A 1999 23-5
- ANTS(GST)A 1999 23-15
- ANTS(GST)A 1999 25-1
- ANTS(GST)A 1999 27-15(3)
- ANTS(GST)A 1999 29-40(1)(a)
- ANTS(GST)A 1999 29-40(3)
- ANTS(GST)A 1999 31-25(4)
- ANTS(GST)A 1999 72-5
- ANTS(GST)A 1999 123-5
- ANTS(GST)A 1999 123-7
- ANTS(GST)A 1999 123-7(1)(a)
- ANTS(GST)A 1999 123-7(2)
- ANTS(GST)A 1999 131-5
- ANTS(GST)A 1999 131-5(1)(a)(i)
- ANTS(GST)A 1999 131-5(2)
- ANTS(GST)A 1999 162-5(1)(a)(i)
- ANTS(GST)A 1999 162-5(2)
- ANTS(GST)A 1999 162-30(3)
- ANTS(GST)A 1999 Div 188
- ANTS(GST)A 1999 188-5
- ANTS(GST)A 1999 188-10
- ANTS(GST)A 1999 188-10(1)
- ANTS(GST)A 1999 188-10(2)
- ANTS(GST)A 1999 188-15
- ANTS(GST)A 1999 188-20
- ANTS(GST)A 1999 188-22
- ANTS(GST)A 1999 188-23
- ANTS(GST)A 1999 188-24
- ANTS(GST)A 1999 188-25
- ANTS(GST)A 1999 188-25(a)
- ANTS(GST)A 1999 188-25(b)
- ANTS(GST)A 1999 188-25(b)(i)
- ANTS(GST)A 1999 188-25(b)(ii)
- ANTS(GST)A 1999 188-32
- ANTS(GST)A 1999 188-35
- ANTS(GST)A 1999 188-40
- ANTS(GST)A 1999 Div 189
- ANTS(GST)A 1999 195-1
- ITAA 1997
- ITAA 1997 328-110
- ITAA 1997 328-110(4)
- TAA 1953
- TAA 1953 Sch 1 Div 358

This Addendum applies on and from 1 October 2016 except for:

- the fifth dot point in paragraph 14 (about supplies of rights or options that are connected with Australia because of paragraph 9-25(5)(c)), as this change applies on and from 1 July 2017
- any reference to the SBE turnover threshold being \$10 million, which applies from 1 July 2016. Prior to this date the turnover threshold was \$2 million.

Commissioner of Taxation

13 March 2019

ATO references

NO: 1-AWHW94H
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ATOLaw topic: Goods and services tax ~~ General rules and concepts ~~
Cash vs non-cash accounting
Goods and services tax ~~ General rules and concepts ~~
Other
Goods and services tax ~~ Registrations ~~ GST
instalments
Goods and services tax ~~ Registrations ~~ Tax periods
~~ Annual tax periods
Goods and services tax ~~ Registrations ~~ Tax periods
~~ Monthly to quarterly
Goods and services tax ~~ Registrations ~~ Tax periods
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Goods and services tax ~~ Registrations ~~ Tax periods
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Goods and services tax ~~ Registrations ~~ Voluntary

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