


***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 *31 October 2012*



## 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 was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the **Taxation Administration Act 1953** and former section 105-60 of Schedule 1 to the **Taxation Administration Act 1953**.*

*From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the **Taxation Administration Act 1953**.*

*A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.*

*If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.*

**[Note:** *This is a consolidated version of this document. Refer to the Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]*

### 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 applies [to tax periods commencing] both before and after its date of issue. However, this Advice will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Advice (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

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## Commissioner of Taxation

14 June 2005

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### **Related Rulings/Determinations/GST Advice:**

TR 2006/10

### **Subject references:**

correcting GST mistakes  
underpayment'  
compliance action  
general interest charge  
penalty

### **Legislative references:**

TAA 1953 Sch 1 Div 358

### **Other references:**

Correcting GST mistakes – fact sheet

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### **ATO references**

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