

GSTR 2000/13A - Addendum - Goods and services tax: accounting on a cash basis

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Addendum

Goods and Services Tax Ruling

Goods and services tax: accounting on a cash basis

This Addendum amends Goods and Services Tax Ruling GSTR 2000/13 to reflect:

- the amendments to the *A New Tax System (Goods and Services Tax) Act 1999* resulting from the introduction of the *Tax Laws Amendment (Small Business) Act 2007*. This Act standardises the eligibility criteria for small business tax concessions from 1 July 2007; and
- the amendments to the *A New Tax System (Goods and Services Tax) Regulations 1999* resulting from the commencement of the *A New Tax System (Goods and Services Tax) Amendment Regulations 2007 (No. 2)*. This Legislative Instrument changes the threshold amounts for the requirements to register for the GST from 1 July 2007.

GSTR 2000/13 is amended as follows:

1. Paragraph 18

Omit 'annual turnover'; substitute 'GST turnover'.

2. Footnote 8

(a) Omit '\$100,000'; substitute '\$150,000'.

(b) Omit '\$50,000'; substitute and '\$75,000'.

3. Paragraph 19

Omit 'your turnover'; substitute 'your GST turnover'.

GSTR 2000/13

4. Paragraph 20

Omit the subparagraphs; substitute:

- (a) you are a **small business entity** (other than because of section 328-110(4) of the *Income Tax Assessment Act 1997* (ITAA 1997)) for the income year in which you make your choice;^{9A} or
- (b) you do not carry on a business and your GST turnover does not exceed the cash accounting turnover threshold of \$2 million;¹⁰ or
- (c) for income tax purposes you correctly account for your income using the receipts method; or
- (d) each of the enterprises that you carry on is an enterprise of a kind that the Commissioner determines, in writing, to be a kind of enterprise in respect of which a choice to account on a cash basis may be made under paragraph 29-40(1)(c).^{10A}

5. Paragraph 23

Omit:

entity's annual turnover is more than \$1,000,000

substitute:

entity is not a small business entity in the relevant income year, or the entity is not carrying on a business and its GST turnover is more than the cash accounting turnover threshold

6. Paragraph 34

Omit the first dot point paragraph; substitute:

- in a case to which paragraph 29-40(1)(a) applied – you are not a small business entity of the kind referred to in that paragraph for an income year and you do not have permission to account on a cash basis; or
- in a case to which paragraph 29-40(1)(ab) applied – you do not meet the requirements of that paragraph¹³ and you do not have permission to account on a cash basis; or

^{9A} **Small business entity** is defined in section 328-110 of the ITAA 1997.

¹⁰ You work out whether your GST turnover does not exceed the cash accounting turnover threshold by looking at your current GST turnover and your projected GST turnover. Your GST turnover is the total value of supplies (excluding certain supplies) you make in the course of your enterprise (see Division 188).

^{10A} You may also account on a cash basis if you meet the requirements of Division 157 of the GST Act.

¹³ The requirements of paragraph 29-40(1)(ab) are that you do not carry on a business and your GST turnover does not exceed the cash accounting turnover threshold.

7. Paragraph 36

Omit the first dot point (including the footnote); substitute:

- either:
 - you carry on a business but you are not a small business entity (other than because of subsection 328-110(4) of the ITAA 1997) for an income year; or
 - you do not carry on a business and your GST turnover meets the cash accounting turnover threshold; and

8. Paragraph 39

Omit the paragraph; substitute:

39. The choice available to a charitable institution, trustee of a charitable fund, gift-deductible entity or any government school to account on a cash basis is not restricted as it is for other entities, but other restrictions may apply.¹⁶

9. Paragraph 43

Omit the second sentence; substitute:

You can choose to account on a cash basis under paragraph 29-40(1)(a) or paragraph 29-40(1)(ab) if either (respectively):

- you are a small business entity (other than because of subsection 328-110(4) of the ITAA 1997) for the income year in which you make your choice; or
- you do not carry on a business and your GST turnover (from all enterprises that you carry on) does not exceed the cash accounting turnover threshold.

10. Paragraph 44

Omit the paragraph (including the heading).

11. Paragraph 53

Omit the paragraph (including the heading).

¹⁶ Refer Division 157.

12. Paragraph 56

Omit the paragraph; substitute:

56. E.R.I.C. Metals Pty Ltd is carrying on a business of joinery manufacturing, but is not a small business entity.^{19A} There is a high volume of joinery goods, including aluminium products. The value of the supplies is set at an average unit price for this type of business. A minority of supplies are for very substantial sums. It would not be appropriate to use the cash basis of accounting.²⁰

13. Paragraph 58

Omit the paragraph; substitute:

58. Brooks is carrying on a business of plastic goods manufacturing, but is not a small business entity. The supplies are plastic cups, plates, spoons, margarine containers, ice cream containers etc. There is a high volume of these goods produced and the value of the supplies is low. The cash basis may be an appropriate accounting method.

14. Paragraph 61

Omit the paragraph; substitute:

61. Barry's Spares and Repairs Pty Ltd carries on a business but is not a small business entity. It maintains a large stock of spare parts for sale and also provides a motor vehicle repair and maintenance service where parts are drawn from the stock of spare parts. As Barry's Spares and Repairs relies on circulating capital and consumables to produce supplies, the cash basis would not be the more appropriate method of accounting.

15. Paragraph 63

Omit the first sentence; substitute:

Rene's Hire Pty Ltd is not a small business entity, and has a huge range of tools, equipment and trucks for tradesmen, contractors, industry and handymen to hire.

^{19A} Under section 328-110 of the ITAA 1997.

²⁰ For a similar fact situation, see TRA Case J65 (1987) 9 NZTC 1,390.

16. Paragraph 64

Omit the first sentence; substitute:

Kate owns and hires out a backhoe and is not a small business entity.

17. Paragraph 65

Omit the first sentence; substitute:

Michael's Driving School owns a number of vehicles which are used for driving lessons and is not a small business entity.

18. Paragraph 67

Omit the first sentence; substitute:

Adam conducts his own dental practice and is not a small business entity.

19. Paragraph 71

Omit the first sentence; substitute:

Hildegard's Motel is a family operated business and is not a small business entity.

20. Paragraph 75

Omit the paragraph; substitute:

75. Brett & Partners Engineering Consultants Pty Ltd is a private company, which carries on an engineering consulting business, but is not a small business entity. The company operates a basic manual accounting system. It costs work at least quarterly and invoices clients accordingly. At the end of a month the company makes a record of the unpaid invoices and those paid during that month. Although, there is no creditors ledger the company can obtain this information by, for example, maintaining a separate folder of unpaid invoices.

21. Paragraph 78

Omit the first sentence; substitute:

Bart and Lisa have an entity with a sales turnover of around \$10 million per annum and that is not a small business entity.

GSTR 2000/13

22. Detailed contents list

Omit:

| | |
|----------------|----|
| <i>Example</i> | 44 |
| <i>Example</i> | 53 |

23. Subject references

Omit:

- GST annual turnover
- GST turnover threshold

substitute:

- cash accounting turnover threshold
- current GST turnover
- GST turnover
- projected GST turnover
- small business entity

24. Legislative references

Insert:

- ANTS(GST)A99 29-40(1)(ab)
- ITAA 1997 328-110
- ITAA 1997 328-110(4)

This Addendum explains our view of the law as it applied from 1 July 2007. You can rely upon this Addendum on and from its date of issue for the purpose of section 105-60 of Schedule 1 to the *Taxation Administration Act 1953*. If this Addendum conflicts with a previous private ruling that you have obtained or a previous public ruling, this Addendum prevails. However, if you have relied on a previous ruling (including the public ruling that the Addendum amends), you are protected in respect of what you have done up to the date of issue of this Addendum or, if there is a change to the legislation, you are protected in respect of what you have done up to the date the legislative change takes effect. This means that if you have relied on the earlier ruling and have underpaid an amount of GST, you are not liable for the shortfall prior to either the issue date of this Addendum or the date the legislative change takes effect, as appropriate. Similarly, if you have relied on the earlier ruling you are not liable to repay an amount overpaid by the Commissioner as a refund.

Commissioner of Taxation

12 September 2007

ATO references

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ATOlaw topic: Goods and Services Tax -- General rules and concepts
cash basis versus non-cash basis accounting