What are the GST Codes to be Used for Various Ledger and Why?

What is GST?

The goods and services tax (GST) is a **broad-based** tax of 10% on most goods, services, and other items sold or consumed in Australia. **Broad-based tax** means a tax that applies to all purchases and sales of goods and services.

What is meant by GST codes?

GST codes are used to categorise accounting transactions for tax purposes. GST codes indicate whether a transaction is taxable under GST **(GST)** or not taxable under GST **(No GST),** etc., and guide businesses on how to report these transactions in Business Activity Statements (BAS).

Various Type of GST Code

A. GST

1. GST on Income
2. GST on Expenses
3. GST on Capital
4. GST on Capital Imports
5. GST on Imports
6. Input Taxed

B. No GST

1. GST Free Income
2. GST Free Expenses
3. GST Free Capital
4. GST Free Exports
5. BAS Excluded

Which GST code to be use, when to use?

A1. GST on Income (Related to trading, profit, and loss items)

GST on income shall be used when there are sales of goods and services or any other revenue.

For Examples:

- Sold good to customer.
- Sale return.
- Provided Services to customer.
- Other Income received such as Rental income, Commission Income etc.,

A2. GST on Expenses (Related to trading, profit, and loss items)

GST on expenses shall be used when there are purchases of goods and services from GST registered Entity.

For Examples:

- Purchase of Raw Materials.
- Purchase Return.
- Rental Expenses.
- Accounting Fees, Consulting Fees.

A3. GST on Capital (Related to Balance sheet Asset items)

GST on capital shall be used when there is a purchase or sale of capital assets.

Capital Assets Mean's: A capital asset is property that is expected to generate value over a long period of time and is not intended to be sold to customers.

For Examples:

Purchase and sale of:

- Property Plant & Equipment
- Motor Vehicle
- Office Equipment
- Computer & Laptops etc.

A4. GST on Capital Imports (Related to Balance sheet Asset items)

Importing capital assets into Australia from other countries, the GST applies to most taxable importations.

For Examples:

Importing Machines from China for production purpose etc.,

A5. GST on Imports

When a person or entity in Australia buys goods or services from another nation, it is an import.

You will have to pay GST on most imported goods. It is added to the price you paid for the goods plus shipping costs, and you may have to pay it before customs will release the shipment. You can claim the cost back when submitting a GST return.

GST-registered businesses do not have to pay GST on services or subscriptions from overseas suppliers.

For Examples:

- Watch retailers import watches from Germany.
- Car manufacturers import steel (raw materials) from India.

A6. Input Taxed

Input-taxed supply is a supply that the seller cannot charge GST on Income received and cannot claim GST credit on Expenses incurred in relation to that supply

Example for GST cannot charge on Income received (Input Taxed Income):

a. Financial supplies:

- Income from Lending Money
- Interest received from Term Deposit, Bank, ATO etc.
- Buy or Sell shares or other securities.
- Food Supplied by School Tuckshops and Canteens
- Fundraising events conducted by charities.
- Precious metal supplies - Subsequent Supplies (section 40-100)

Precious metal means

- Gold (in an investment form) of at least 99.5% **fineness**
- Silver (in an investment form) of at least 99.9% fineness
- Platinum (in an investment form) of at least 99% fineness

Fineness means: Purity of Metal, Gold at least 99.5% fineness means out of Total weight of the metal at least 99.5% should be gold, balance 0.5% can be other elements, For Example 24 karat gold is 99.99% fineness.

Example: Precious metal supplies - First Supply after refining (section 38-385)

If a refiner sells newly refined gold bars (Raw gold extracted from mines) to a dealer, this initial supply is **GST free Income**.

Example: Precious metal supplies - Subsequent Supplies (section 40-100)

If the dealer then sells the gold bars to another business or individual**,** this subsequent supply is **Input Taxed.**

b. Residential premises

- Residential Rental income.
- Sale of Existing Residential premises

Example for GST cannot claim on expenses incurred (Input Taxed Expenses):

Any Expenses incurred in relation to above Input Taxed Income

- Expenses related to residential rental properties, such as property management fees, repairs, and maintenance.
- Interest payments on loans for residential properties.
- Fees paid for financial services, like bank charges or investment management fees.

B1. GST Free Income: (Related to trading, profit, and loss items)

GST-free income does not attract Goods and Services Tax (GST), but you can still claim GST credits for the purchases you made to create this income.

For Examples:

- Income from Basic Foods: Bread, Milk, Vegetables and Meat
- Income from providing education services, such as private tutoring or vocational training.
- Income from providing medical, health, and care services,
- Income from providing accommodation and meals to retirement village residents.
- Income from providing some religious services and charitable activities.
- Sales of businesses as going concerns
- Precious metal supplies - First Supply after refining (section 38-385)

B2. GST Free Expenses: (Related to trading, profit, and loss items)

GST-free expenses mean Expenses that do not attract Goods and Services Tax (GST).

For Examples:

- Expenses related to basic foods: like bread, milk, vegetables, and meat.
- Expenses for certain education courses and course materials.
- Expenses related to medical aids, medicines, and specific health services.
- Expenses incurred in religious or charitable contexts.
- Expenses related to water, sewerage, and drainage services.
- Purchase of goods and services from unregistered GST Entity.

B3. GST-Free Capital (Related to Balance Sheet Asset Items)

GST-free capital shall be used when there is a purchase or sale of capital assets not subject to GST or subject to GST-free.

For Examples:

- Purchase of land
- MV Exceeding Luxury Limit
- Stamp duty and registration fees for capital asset purchases.

B4. GST Free Exports

When an entity in Australia sends goods or services to another nation, it's an export.

Goods or **Services** exported from Australia are generally GST-free, Which is called GST Free Exports

Conditions to consider for GST Free Export:

<u>Goods</u>

I. To qualify as GST free Exports, the goods must be exported by the supplier within 60 days of either receiving payment for the goods or issuing an invoice for them.
II. If the goods are paid for in instalments, the final payment or invoice triggers the 60-day period.
III. If new boats sold for private recreational use above 60days rule will not apply, they must be Exported within 12 months.

<u>Services</u>

I. Recipient of the service is outside Australia.
II. Use of the Service occurs outside Australia.

Examples of GST Exports:

- A clothing manufacturer in Australia exports a batch of dresses to a boutique in France.
- An Australian software company provides cloud-based services to clients in the United States.

B5. BAS Excluded:

BAS Excluded refers to any goods or services that fall outside the scope of Australia's Goods and Services Tax (GST) legislation.

This means you don't have to pay 10% GST on this transaction.

Transactions marked as BAS excluded are not included in the Business Activity Statement (BAS) at all.

Examples:

- Unregistered GST Entity who are not required to File BAS can use BAS Excluded Code
- Owner's Drawing.
- Shareholder Loans
- Private Transaction
- Tax Payments
- Wages
- Superannuation
- Deprecation
- Loan Repayments
- Dividend received.
- Distribution received.
- Dividend Paid
- Donation paid.

Input Taxed vs GST Free vs BAS Excluded

Difference	**Input Taxed**	**GST Free**	**BAS Excluded**
GST Rate	0%	0%	Nil
Reporting Requirement	**Must be reported** on Business Activity Statement (BAS).	**Must be reported** on Business Activity Statement (BAS).	**No need to report** on Business Activity Statement (BAS).
Report BAS under	G1 Total Sale	G1 Total Sale	Not Applicable
Nature	GST is not payable on sale, and GST credits **can't** claim for purchases	GST is not payable on sale, but GST credits **can** claim for purchases	Outside the Scope of GST

Summary

GST code	**Where to Report in BAS**
A1. GST on Income	G1 Total Sale & 1A GST on Sales
A2. GST on Expenses	G11 Non-Capital purchases & 1B GST on purchases
A3. GST on Capital - Sale	G1 Total Sale & 1A GST on Sales
A3. GST on Capital - Purchase	G10 Capital purchases & 1B GST on purchases
A4. GST on Capital Imports	G10 Capital purchases & 1B GST on purchases
A5. GST on Imports	G11 Non-Capital purchases & 1B GST on purchases
A6. Input Taxed	G1 Total Sale
B1. GST Free Income	G1 Total Sale
B2. GST Free Expenses	G11 Non-Capital purchases
B3. GST Free Capital - Sales	G3 Other GST-free sales
B3. GST Free Capital - Purchases	G10 Capital purchases
B4. GST Free Exports	G2 Export sales
B5. BAS Excluded	Not Required to Report