GST Reconciliation

What is GST Reconciliation?

GST reconciliation is the process of matching and verifying GST-related records to ensure that the tax you have reported, paid and claimed is accurate and consistent across different sources.

By the end of this PPT what we will learn

- What gets reconciled?
- What is PAYG Instalment
- Why GST reconciliation is important?
- Accounting methods of GST
- When is GST reconciliation done?
- GST filing periods and lodgement dates
- Common GST reconciliation issues
- Step-by-step process of GST reconciliation

What gets reconciled?

GST Collected/Payable (Output Tax)

- GST charged on sales/income, and this is payable to the ATO

GST paid (Input Tax Credits)

- GST paid on business purchases and expenses, and this can be claimed back from the ATO

How to record income, GST on income, expenses and GST on expenses ?

- Income is credited to sales account and GST on income is credited to GST payable account.
- Expense amount is debited to respective expenses account and GST on expenses is debited to GST paid/payable account.

BAS vs Accounting records

- Comparing BAS records with accounting records.

What is PAYG Instalment

Pay As You Go (PAYG) instalments are a system in Australia for making regular, periodic prepayments of income tax on your business and investment income throughout the year.

Why GST reconciliation is important

- To ensure correct BAS lodgement
- To avoid ATO penalties, interest, or audits
- To detect errors like missing GST, wrong GST coded and duplicate or incorrect claims.
- Required year-end review.

Accounting methods of GST

Cash Basis

- Businesses with an aggregated turnover of less than $10 million can choose to account for their GST using the cash accounting method.
- Not carrying on a business, but your enterprise's GST turnover is $2 million or less.
- Maintaining income tax on a cash basis
- Enterprises following the below nature of operations must opt cash basis regardless of GST turnover.
  a. A government school
  b. An endorsed charitable institution or trustee of an endorsed charitable fund
  c. a gift-deductible entity (unless it operates a fund, authority or institution that can receive tax-deductible gifts or contributions).

Accrual Basis

- When you issued a tax invoice before receiving payment (for a sale)
- When you receive invoice from your supplier before making the payment or made any payment for a purchase.
- A way to track your true financial position – what is owed and what you owe
- Helpful if you are dealing with multiple contracts and large amounts of money

Common GST reconciliation issues

- Sales recorded as GST-free when they are GST sales.
- GST claimed on expenses when supplier was not registered for GST.
- Incorrectly claimed GST on private expenses.
- Timing differences (invoice vs payment basis).
- Manual journal entries coded incorrectly.

When is GST reconciliation done?

- Each BAS period (monthly or quarterly)
- At year-end as part of tax return preparation.
- Before ATO review or audits.

GST filing periods and lodgement dates

Monthly reporting

- if your GST turnover is $20 million or more – or you choose to report GST monthly
- The due date to lodge and pay your monthly BAS is the 21st day of the month following the end of the taxable period. For example, a July monthly BAS is due on 21 August.
- If the due date is on a weekend or public holiday, you have until the next business day to lodge and pay.

Annual reporting

- If you are voluntarily registered for GST and your GST turnover is under $75,000 ($150,000 for not-for-profit bodies)
- The due date to lodge and pay your annual GST return is 31 October.

Note - If you use a registered tax or BAS agent, different dates may apply.

- ## Quarterly reporting

if your GST turnover is less than $20 million – and we have not told you that you must report monthly.

Due date for each quarter	
Quarter	**Due date**
1. July, August and September	28 October
2. October, November and December	28 February
3. January, February and March	28 April
4. April, May and June	28 July

Step-by-step process of GST reconciliation

- Step 1: Confirm Your GST Setup
- Step 2: Choose the BAS Period
- Step 3: Reconcile GST on Sales (GST Collected)
- Step 4: Reconcile GST on Purchases (GST Credits)
- Step 5: Review the GST Control Account
- Step 6: Compare to the BAS Report
- Step 7: Investigate and Fix Differences
- Step 8: Finalize and Lock the Period
- Step 9: Lodge and Pay (or Receive Refund)

Step 1: Confirm Your GST Setup

- Before reconciling, confirm:
- Your business **is registered for GST**
- Your **GST accounting method**:
  - **Cash basis** – report GST when paid/received
  - **Accrual basis** – report GST when invoiced/billed
- Your accounting software settings match your BAS method

Step 2: Choose the BAS Period

- Select the period you are reconciling:
- Monthly or quarterly BAS period

Ensure:

- All sales and purchase transactions for that period are entered
- No future or prior-period transactions are included

Step 3: Reconcile GST on Sales (GST Collected)

- This confirms how much GST you have charged customers.
- Run a **GST or BAS report** for the period
- Review **taxable sales (10%)**
- Confirm GST is **10% of taxable sales**
- Check GST was **not charged** on:
    - GST-free sales (exports, basic food)
    - Input-taxed income (interest, residential rent)
- The total GST collected should match **BAS label 1A**

Step 4: Reconcile GST on Purchases (GST Credits)

- This confirms how much GST you can claim back.
- Run a **GST purchases or GST detail report**
- Review expenses marked as:
    - GST 10%
    - GST-free
    - Input-taxed

Confirm:

- Valid tax invoices exist
- Private or non-claimable expenses are excluded

Do not claim GST on:

- Wages and super
- Bank fees
- Loan repayments
- Private expenses
- The total GST credits should match **BAS label 1B**

Step 5: Review the GST Control Account

The GST control account shows how much GST is payable or refundable.

Check:

- Opening GST balance
- + GST collected (sales)
- – GST paid (purchases)
- = Closing GST balance

The closing balance should equal the **GST payable or refund amount** on the BAS.

Step 6: Compare to the BAS Report

Compare:

- GST totals from sales and purchases
- GST control account balance
- BAS report figures

Ensure:

- G1 = total sales (including GST)
- 1A = GST on sales
- 1B = GST on purchases

Step 7: Investigate and Fix Differences

If numbers don’t match, check for:

- Incorrect GST coding
- Missing or duplicate invoices
- Credit notes not included
- Transactions posted to the wrong period
- Manual journals affecting GST
- Correct errors and re-run reports.

Step 8: Finalize and Lock the Period

Once reconciled:

- Lock the BAS period in your accounting system
- Save GST reports and working papers
- Keep records for **5 years** as required by the ATO

Step 9: Lodge and Pay (or Receive Refund)

- Lodge BAS via accounting software, ATO Online, or BAS agent
- Pay GST owing or track refund

Example

Business: Archilab Architects Pty Ltd

GST method: Cash

BAS period: 1 July – 30 September

Quarter 1

Step 1: Sales (GST Collected)

Sales invoices issued during the quarter:

Calculation check:

•Taxable sales = $22,550

BAS Label 1A (GST on sales) = $2,050 ($22,550/11)

BAS Label G1 (Total sales) = $22,550

Description	Amount (incl. GST)	GST
Fees Received	$22,550	$2,050
Export services (GST-free)	$0	$0
Total sales	**$22,550**	**$2,050**

Step 2: Purchases (GST Paid)

Supplier bills received during the quarter:

Claimable GST credits = $21

BAS Label 1B (GST on purchases) = $21

Expense	Amount (incl. GST)	GST
Office expenses	$44	$4
Insurance	$194	$17
Bank fees (input-taxed)	$120	$0
Wages	$15000	$0
Total expenses	**$15,358**	**$21**

Step 3: Calculate GST Payable

GST collected (1A) $2,050

Less GST credits (1B) $21

Net GST payable $2,090

PAYGI - $912

Archilab Architects Pty Ltd must pay $2,941 to the ATO.

Australian Government
Australian Taxation Office

Agent OBERON ASSOCIATES PTY LTD
Client ARCHILAB ARCHITECTS PTY LTD
ABN 70 628 540 214

Print activity statement

Account	Period	Document ID	GST accounting method
Activity statement – 002 – ARCHILAB ARCHITECTS PTY LTD	Jul 2023 – Sep 2023	52133247644	Cash

Receipt ID 6453374211
Date lodged 28 November 2023
Payment due date 27 November 2023

Statement summary

Description	Reported Value	Owed to ATO	Owed by ATO
Goods and services tax (GST)			
1A Owed to ATO		$2,050.00	
1B Owed by ATO			$21.00
G1 Total sales	$22,550.00		
Does this include GST?	Yes		
PAYG income tax instalment			
5A Owed to ATO		$912.00	
5B Owed by ATO			$0.00
T7 Instalment amount – Based on the notional tax $ 3,445.25 from the 2022 assessment.	$912.00		

Amount owing to ATO

$2,941.00

Workpaper

GST Method Cash

PERIOD	SALES	CAPITAL PURCHASES	NC PURCHASES	WAGES	PAYGW	PAYGI	GST ON SALES	GST ON PURCHASES	NET GST	NET PAYMENT
Jun-23	10,835.00					31.00	985.00	29.00	956.00	987.00
Jul-23									-	-
Aug-23									-	-
Sep-23	22,550.00					912.00	2,050.00	21.00	2,029.00	2,941.00
Oct-23									-	-
Nov-23									-	-
Dec-23	21,340.00					912.00	1,940.00	18.00	1,922.00	2,834.00
Jan-24									-	-
Feb-24									-	-
Mar-24	10,781.00					912.00	980.00	143.00	837.00	1,749.00
Apr-24									-	-
May-24									-	-
Jun-24	22,110.00						1,880.00	326.00	1,554.00	1,554.00
Total	**76,781.00**	-	-	-	-	**2,736.00**	**6,850.00**	**508.00**	**6,342.00**	**9,078.00**

Step 4: Check GST Control Account

GST Control Account (Ledger)

✓ Closing balance matches BAS payable amount.

Description	Debit	Credit
Opening balance		$0
GST on sales		$2,050
GST on purchases	$$21	
Closing balance		**$2,029**

Step 5: Final BAS Figures

BAS Label	Amount
G1 – Total sales	$22,550
1A – GST on sales	$2,050
1B – GST on purchases	$21
GST payable	**$2,029**

PAYGI - $921

Amount owing to ATO - $2,941

Thank you