
Appendix B:

Solutions to Activities

Unit 2

Activity 2.1: Applying for a Tax File Number

For a Sole trader business:

- 4.a) *Is a separate TFN required for an individual operation as a sole trader?* No
- 4.b) *If an individual does not have a TFN will they need one to operate a business?* Yes
- 4.c) *Is it necessary to have a passport to apply for a TFN?* No
- 4.d) *Who is eligible to apply for a TFN?*
Australian citizen or Australian resident for tax purposes

For Foreign passport holders, permanent migrants and temporary visitors:

- 4.e) *What are the three conditions to apply for a TFN:*
1. Individual is a foreign passport holder, permanent migrant or temporary visitor
 2. Already in Australia
 3. On a visa of one of the following
 - Permanent resident visa
 - A visa with work rights
 - An overseas student visa
 - A visa allowing you to stay in Australia indefinitely (including New Zealanders automatically granted a visa on arrival).
- 4.f) *What do valid working visas include?*
- working holiday makers
 - entertainment
 - sport.

Activity 2.3

Are the following businesses or hobbies?

- *Wendy makes and sells wooden toys from her home. Wendy runs a business.*
- *Troy makes wooden toys at home. This would be regarded as a hobby.*

Unit 3

Activity 3.1

Table is displayed on the following page.

Activity 3.2: Registering to provide BAS Services

What are the requirements to register as an individual BAS agent?

1. You must be at least 18 years of age to be eligible to apply.
2. You must be a fit and proper person.
3. You must satisfy the qualification and experience requirements.
4. You must maintain, or will be able to maintain, professional indemnity insurance cover that meets our requirements.
5. Complete an online application and provide supporting documents.

Service	BAS service	TAX service?	Not BAS or Tax?
Applying to the Registrar for an ABN on behalf of a client.	X		
Installing computer accounting software without determining default GST and other codes tailored to the client.			X
Advising about fringe benefits tax laws		X	
Coding transactions, tax invoices and transferring data onto a computer program for clients through processes that require the interpretation or application of a BAS provision.	X		
Completing activity statements on behalf of an entity or instructing the entity which figures to include.	X		
General training in relation to the use of computerised accounting software not related to client's particular circumstances.			X
Entering data without involvement in or calculation of figures to be included on a client's activity statement.			X
Providing advice about or confirming the withholding tax obligations for the employees of a client.	X		
Preparing and providing an income statement that may include reportable fringe benefits amounts and the reportable employer superannuation contributions.	X		
Registering or providing advice on registration for GST or PAYG withholding.	X		
Advising about claiming of an allowable tax deduction for superannuation contribution		X	
Advising about superannuation contribution caps and the effect of exceeding those caps		X	
Advising on salary sacrificing arrangements and salary packaging		X	
Advising about, preparing and/or lodging income tax returns		X	
Determining and reporting the superannuation guarantee shortfall and associated administrative fees.	X		

Activity 3.3: List of events from Section 20-45 in TASA 2009

20-45 Certain events may affect your continued registration

- (1) The following events may affect your continued registration as a *registered tax agent or BAS agent:
 - (a) you are convicted of a *serious taxation offence;
 - (b) you are convicted of an offence involving fraud or dishonesty;
 - (c) you are penalised for being a *promoter of a *tax exploitation scheme;
 - (d) you are penalised for implementing a *scheme that has been promoted on the basis of conformity with a *public ruling, *private ruling or *oral ruling in a way that is materially different from that described in the ruling;
 - (da) you are penalised for promoting on the basis of conformity with a public ruling, private ruling or oral ruling a scheme that is materially different from that described in the ruling;
 - (e) you become an undischarged bankrupt or go into external administration;
 - (f) you are sentenced to a term of imprisonment.

Activity 3.4: Civil Penalty Provisions

1. Open the website www.tpb.gov.au
2. Search for civil penalty provisions and answer the following questions:
 - (i) What is the current value of one penalty unit? \$313
 - (ii) What is the maximum number of penalty units for an individual advertising to provide a tax agent service while unregistered? ... 50
 - (iii) When is a partner in a partnership not responsible for the actions of another partner that has breached a civil penalty provision?

When the partner can prove that they:

- did not engage in the conduct
 - did not aid, abet, counsel or procure the conduct
 - were not in any way knowingly concerned in or a part to the conduct.
- (iv) Under Subdivision 50-C how long does the TPB have to apply to the Federal Court of Australia for an order for an entity to pay a monetary penalty.

4 years

Activity 3.5: Individual Contravening Civil Penalty Provisions

1. *List the actions that a registered entity might make that could be determined to be a breach of civil penalty provision by the TPB?*

Making false or misleading statements

You will breach a civil penalty provision if you knowingly or recklessly (by inclusion or omission):

- make a false or misleading statement to the Commissioner of Taxation (Commissioner)
- prepare a false or misleading statement which you know, or should reasonably know is likely to be made to the Commissioner
- permit or direct an entity to make or prepare a false or misleading statement to the Commissioner.

Employing or using the services of deregistered entities

You will breach a civil penalty provision if you employ or use the services of a deregistered entity to provide tax practitioner services, when you know or should reasonably know:

- that the entity is not currently registered but was previously registered, and
- you first employed, or first used the services of, the entity within one year of its deregistration.

However, you will not breach a civil penalty provision if the:

- entity's registration was terminated because it surrendered its registration, became an undischarged bankrupt or went into external administration, or
- entity is a disqualified entity and you have obtained our approval to employ or use the services of the entity to provide tax agent services on your behalf.

Signing of declarations

You will also breach a civil penalty provision if you sign a declaration or statement in relation to a taxpayer that is required or permitted under a taxation law, which was prepared by someone else who is **not**:

- a registered tax or BAS agent
- working under the supervision and control of a registered individual tax or BAS agent

Activity 3.6: Continuing Professional Education

1. *What is the minimum number of hours of CPE required over a three-year period for a BAS agent?*

90 hours with a minimum of 20 hours annually.

2. *List eight activities from the Explanatory Paper TPB 07/2021 that are an example of a CPE activity:*

Answers may be any of the following:

- (a) seminars, workshops, webinars, courses and lectures
- (b) structured conferences and discussion groups (including those completed by telephone or video conference)
- (c) tertiary courses provided by universities, registered training organisations (RTOs), other registered higher education institutions or other approved course providers (including distance learning)
- (d) other educational activities, including podcasts, webcasts and blogs, provided by an appropriate organisation
- (e) research, writing and presentation by the registered tax practitioner of technical publications or structured training
- (f) peer review of research and writing submitted for publication or presentation in structured training
- (g) computer/internet-assisted courses, audiotape or videotape packages
- (h) attendance at structured in-house training on tax-related subjects by persons or organisations with suitable qualifications and/or practical experience in the subject area covered
- (i) attendance at appropriate ATO seminars and presentations
- (j) relevant CPE activities provided to members and non-members by a recognised tax or BAS agent association
- (k) a unit of study or other CPE activity on the TASA, including the Code.

3. *What is the maximum number of hours a registered BAS agent can use as CPE attending educative health and wellbeing activities?*

The limit is 10% which is 9 out of the required 90 hours total.

Activity 3.7: Recognised Professional Associations

	Recognised Tax Agent Association	Recognised BAS Agent Association
Institute of Certified Bookkeepers (ICB)		Accredited
Australian Bookkeepers Association Ltd (ABA)		Accredited
Chartered Accountants Australia and New Zealand (CAANZ)	Accredited	Accredited
CPA Australia	Accredited	Accredited
Institute of Public Accountants (IPA)	Accredited	Accredited
Association of Chartered Certified Accountants (ACCA)	Accredited	
Financial Advice Association of Australia (FAAA)	Accredited	
Australian Institute of Quantity Surveyors	Accredited	
Financial Services Institute of Australasia (FINSIA)		
Law Society of New South Wales	Accredited	
National Tax Agents' Association PLUS Ltd (NTAA+)	Accredited	
The Tax Institute	Accredited	
Stockbrokers and Investment Advisers Association Ltd (SIAA)	Accredited	
Royal Institute of Chartered Surveyors		
SMSF Association	Accredited	
TAI Practitioners & Advisers Limited	Accredited	
Assoc. of Taxation & Management Accountants (ATMA)		
Chartered Institute of Management Accountants (CIMA)		
Association of Certified Bookkeepers Inc. (CBK)		
Association of Accounting Technicians (AAT) Australia		

As at 1 December 2024

Activity 3.8: Research TPB Website

Using the Internet visit www.tpb.gov.au and answer the following questions.

- a) Summarise what is described as a fit and proper person.
- whether the individual is of good fame, integrity and character
 - whether any of the following events have occurred during the previous five years:
 - the individual has been convicted of a serious taxation offence
 - the individual has been convicted of an offence involving fraud or dishonesty
 - the individual has been penalised for being a promoter of a tax exploitation scheme
 - the individual has been penalised for implementing a scheme that has been promoted on the basis of conformity with a product ruling in a way that is materially different from that described in the product ruling
 - the individual has had the status of an undischarged bankrupt
 - the individual has been sentenced to a term of imprisonment or served a term of imprisonment in whole or in part.
- b) Briefly describe the Code of Professional Conduct (Code) and state where you can find full details of the principals of the code.

The Code is set of ethical and professional standards and principles in five categories: Honesty and Integrity, Independence, Confidentiality, Competence and other responsibilities. Details are in Section 30-10 of TASA 2009. The TPB also has an Explanatory Paper TPB (EP) 01/2010: Code of Professional Conduct

- c) What are the qualification and relevant experience requirements to register as a BAS agent? The BAS Agent qualification table is displayed on page **Error! Bookmark not defined..**

BAS agent:

At least Cert IV in Bookkeeping and Accounting.

A Board approved course in GST/BAS taxation principles.

1,400 hours experience in 4 years or 1000 hours in 4 years if a member of a recognised professional association.

Activity 4.1: NAT2772 Voluntary agreement for PAYG withholding

With reference to Part C how much is withheld under a voluntary agreement when there is no Commissioner's instalment rate?

The rate of withholding is notified at Part C of the form, and it will be a flat rate of 20% if there is no Commissioner's instalment rate.

The payer then withholds at that rate from the gross amount after deducting GST charged if GST is charged.

Activity 4.2: Large Withholders Schedule Research

1. *What is the amount of annual withholding in the previous financial year that indicates a business is a large withholder?*
\$1,000,000
2. *How often are amounts to be reported?*
Twice weekly
3. *How are withholding amounts to be paid?*
Electronically
4. Complete the following table for withholding dates for payment

Withholding dates for payment for a large withholder

If you withhold an amount on:	You must pay the withheld amount to the ATO on:
Monday or Tuesday	the following Monday
Wednesday	second Thursday after that day
Thursday or Friday	the following Thursday
Saturday or Sunday	second Monday after that day

5. *What date can the payment be made if the due date is a public holiday?*
The next working day
6. *What is the number to call if a large withholder is unable to make a payment?*
1300 728 060
7. *What information about the payment must be gathered prior to the phone call?*
 - amount owed
 - date the withholding applies to
 - reason the business is unable to pay the amount by the due date.

www.ato.gov.au/businesses-and-organisations/hiring-and-paying-your-workers/payg-withholding/paying-and-reporting-withheld-amounts/when-to-pay-and-report-on-activity-statements

Activity 4.3: Reporting Wages and PAYG Withheld on the Activity Statement

The following data is in the business records. Determine and calculate what should be reported at each label.

You have received the following - write the correct label, **as appropriate** at each item:

Payroll Report 1 August to 31 August 2024

Salary and wages	\$15,600.....	W1
PAYG withholding	\$ 3,400.....	W2
Superannuation liability	\$ 1,794	
Workplace giving	\$600	
Net payments	\$11,600	

Voluntary Withholding

Two invoices totalling \$1,500 were received from Mary Concetti, a contractor who has entered into an agreement for the business to withhold 20% PAYG.

$$\begin{aligned}\text{Withholding amount} &= \$1,500 \times 20\% \\ &= \$300\end{aligned}$$

The business pays Mary the net amount of \$1,200

The business withholds \$300 to report at W2.

The full amount \$1,500 is reported at W1.

No ABN Withholding

It turns out a few invoices have been submitted for work completed by Susan. She still does not have an ABN for her business.

Susan Smith has given the business an invoice for \$400.00.

The withheld amount is calculated using the rate of 47%:

$$\begin{aligned}\text{No ABN withholding amount} &= 47\% \times \$400 \\ &= \$188\end{aligned}$$

The business pays Susan the net amount of \$212

The business withholds \$188 and reports it at W4.

Activity 4.4: Complete the August IAS

Based on the calculations on the previous page complete the following:

What amounts are to be reported at W1:

Salary and wages : \$ 15,600

Voluntary agreements: \$ 1,500

Total: \$ 17,100

What amounts are to be reported at W2:

PAYG withheld from salary and wages \$ 3,400

Voluntary agreement withholding \$ 300

Total: \$ 3,700

What amounts are to be reported at W3:

None

What amounts are to be reported at W4:

No ABN withholding amount \$188

Enter the amounts on the PAYG tax withheld section of an activity statement as shown below:

The business owes the ATO \$3,888 for PAYG Withheld from payments.

PAYG tax withheld	
Total salary, wages and other payments	W1 \$ 17100.00
Amount withheld from payments shown at W1	W2 \$ 3700.00
Amount withheld where no ABN is quoted	W4 \$ 188.00
Other amounts withheld (excluding any amount shown at W2 or W4)	W3 \$.00
Total amounts withheld (W2 + W4 + W3)	W5 \$ 3888.00
Write the W5 amount at 4 in the Summary section below	

Activity 4.5: Complete the September IAS

The following data is in the business records. Determine and calculate what should be reported at each label.

You have the following data:

Payroll Report 1 September to 30 September 2024

Salary and wages	\$20,300.00.....W1
PAYG withholding	\$ 5,100.00.....W2
Superannuation liability	\$2,334.50
Workplace giving	\$800.00
Net payments	\$14,400.00

Voluntary Withholding

One invoice for \$1200 was received from Mary Concetti, a contractor who has entered into an agreement for the business to withhold 20% PAYG.

Amount to withhold is $20\% \times 1200 = \$240$...W2 and \$1,200 ...W1

No ABN Withholding

Another invoice has been submitted by Susan for work completed. She still does not have an ABN for her business.

The invoice was for \$350.00.

$W4 = 47\% \times 350 = 164.50 = \text{rounded down to } 164$

PAYG tax withheld	
Total salary, wages and other payments	W1 \$ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2 1 5 0 0 .00
Amount withheld from payments shown at W1	W2 \$ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 5 3 4 0 .00
Amount withheld where no ABN is quoted	W4 \$ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 1 6 4 .00
Other amounts withheld (excluding any amount shown at W2 or W4)	W3 \$ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> .00
Total amounts withheld (W2 + W4 + W3)	W5 \$ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 5 5 0 4 .00
Write the W5 amount at 4 in the Summary section below	

Activity 4.6: Varying an Instalment Rate or Amount

1. Visit www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/payg-instalments
2. Click on **How to vary your PAYG instalments** either from the side navigation menu or the page
3. Answer the following question:

The PAYG instalment amount or rate used on the BAS or IAS can be varied. What are the consequences if you vary your amount or rate and pay only 50% of the actual amount payable for the year?

You could be left with a substantial tax bill when you lodge your tax return. If your varied instalments are less than 85% of your total tax payable you may have to pay a general interest charge on the difference. Depending on the circumstances there may also be penalties.

The Label T4 requires a code that best describes the reason for the variation.

4. Locate the section **Variation reason codes** and complete the following table:

Code	Reason
21	Change in Investments
22	Current business structure not continuing
23	Significant change in trading conditions
24	Internal business restructure
25	Change in legislation or product mix
26	Financial market changes - for business involved in financial market trading
27	Use of income tax losses
33	Consolidations

Activity 4.7

What is the penalty for failing to register as a PAYG withholder?

5 penalty units which equates to $5 \times 330 = \$1,650$

Activity 5.1: Type of Supplies

Transaction or Item	GST	GST-free	Input Taxed	Out of Scope
Power	GST			
Equipment repairs	GST			
Stationery	GST			
Commercial rent	GST			
Freight for parcel to New Zealand		GST-free		
Pizza	GST			
Coffee whitener	GST			
Sales at school canteen			Input Taxed	
Fish for bait	GST			
Transfer money between bank accounts				Out of scope
Wedding service		GST-free		
Jar of instant coffee		GST-free		
Government stamp duty				Out of scope
Pet food	GST			
Ice cream	GST			
Toothbrush	GST			
Sale of farm to another farmer		GST-free		
Popcorn	GST			
Postage for parcel to Melbourne	GST			
A deposit held as security				Out of scope
Fresh fish		GST-free		
Repairs to a rental house			Input Taxed or GST.	

Activity 5.2

Case Study 1

John Smith has an electrical business. Annual Turnover is \$120,000.

Situation	Suggested Answer	Reason
Recommended method of reporting GST	Cash	Wants to pay GST on sales only when customers pay to help with cash flow.
Recommend reporting period	Quarterly	Take advantage of interest-bearing deposit and only have 4 reporting periods instead of 12.
BAS due dates	28 July 28 October 28 February 28 April	

Case Study 2

Rocco has a small mechanic business with a turnover of less than \$75,000. His accountant does his books at the end of the year. His business is mostly cash, with few debtors and creditors.

Situation	Suggested Answer	Reason
Probable method of reporting GST	Cash	Rocco probably keeps a cash book accounting system
Probable reporting period	Annually	BAS reported when income tax prepared
BAS due dates	Annual statement by 28 February	

Can you see any problems if Rocco chose to pay GST instalments?

The quarterly GST amount could fall short of the amount owing at the end of the year, which could create a cash flow problem if not accounted for.

Case Study 3

Green and Black Pty Ltd have an estimated turnover of \$25,000,000.

Situation	Suggested Answer		Reason
Method of reporting GST	Accrual		GST ACT.
Reporting period	Monthly		GST ACT
BAS due dates	21 July 21 August 21 September 21 October 21 November 21 December	21 January 21 February 21 March 21 April 21 May 21 June	

Activity 5.3**1. *What does it mean to be registered for GST?***

If you are registered for GST, you include GST in the price of goods and services you sell that are taxable supplies.

You must complete an activity statement every month or quarter to report GST collected from your sales and claim input credits for any GST included in the price of your business purchases provided you have a tax invoice.

2. *What records do you need to keep?*

If you are keeping a manual system, you can account for GST by adding a GST amount column to your Cash Receipts and Cash Payments books.

If you keep your records electronically, use one of the commercial record keeping software packages available such as MYOB, Xero or QuickBooks.

3. *When are you entitled to claim GST credits for the GST included in your business purchases?*

You must be registered for GST and

- purchase something to use solely or partly for your business
- the price includes GST
- you provide payment for the item
- you have a tax invoice from your supplier.

4. *What guidelines must you follow when completing the BAS (manually, not electronically)?*

- use a black pen only
- leave boxes blank if not applicable
- show whole dollars only [do not show cents]
- do not use symbols.

5. *After completing the Business Activity Statement, how can you pay the amount owing?*

- by BPAY
- by credit card - using Visa, Mastercard or AMEX
- by EFT direct credit
- by direct debit - have your payment deducted from your nominated bank account (not credit cards)
- through the Government EasyPay service
- at the post office by cash, EFTPOS (subject to your daily limits) or cheque. Present the payment slip with your payment
- mail the payment slip with a cheque or money order using envelope supplied - do not staple and do not send cash.

Note: Payment by cheque or money order is now being discouraged.

6. *Identifying BAS fields: What is reported in the following fields?*

G1 Total sales
G2 Export sales
G3 GST-free sales
G10 Capital purchases
G11 Non-capital purchases
1A GST on sales
1B GST on purchases

Activity 5.4

What is the difference between the calculation worksheet method and the accounts method of completing the activity statement?

When using the calculation worksheet method, you complete the worksheet using information from your accounts and then follow the instructions on the worksheet to transfer the amounts to your activity statement, eg $G9 = G8 \text{ divided by } 11$. The answer at G9 is then transferred to 1A.

When using the accounts method, GST on sales and purchases are taken directly from the accounting records.

Activity 5.5: Using the Calculation Worksheet for Sales

Use the following tax rates and sales amounts to complete the GST calculation worksheet to calculate the amount of GST collected on sales.

Sale Types	Tax Rate	Amount
Sales including GST	GST on Income	\$8,864
Export Sales	GST Free Exports	\$1,000
Sales GST-free	GST Free Income	\$1,400
Input Taxed Sales	Input Taxed	\$ 21

Show amounts at these labels on your BAS

GST amounts you owe the Tax Office from sales

G1 Total sales (including any GST)	G1 \$	11285	.5X	<small>G1 on the BAS</small>
How much of your total sales (G1) are:				
G2 Export sales	G2 \$	1000	.5X	<small>G2 on the BAS</small>
G3 Other GST-free sales	G3 \$	1400	.5X	<small>G3 on the BAS</small>
G4 Input taxed sales	G4 \$	21	.5X	
G5 G2 + G3 + G4	G5 \$	2421	.5X	
G6 Total sales subject to GST (G1 minus G5)	G6 \$	8864	.5X	
G7 Adjustments (if applicable)	G7 \$	0	.5X	
G8 Total sales subject to GST after adjustments (G6 + G7)	G8 \$	8864	.5X	
G9 GST on sales (G8 divided by eleven)	G9 \$	805	.5X	<small>1A in the Summary section of the BAS</small>

Activity 5.6: Using the Calculation Worksheet for Purchases

Use the following tax rates and amounts to complete the calculation worksheet to calculate the amount of GST Paid.

Expense Type	Tax Rate	Amount
Purchases that include GST	GST on Expenses	\$11,000
Capital Purchases that include GST	GST on Capital	\$44,000
Purchases GST-free	GST Free Expenses	\$420
Capital Purchases that are GST-free	GST Free Capital	\$210
Expenses outside scope	BAS Excluded	\$630
Input Taxed Expenses	Input Taxed	\$5,000
Purchases: supplier not registered for GST	GST Free Expenses	\$630

Note: Any BAS Excluded amount is not included at G11 so not included at G15

GST amounts the Tax Office owes you from purchases

G10 Capital purchases (including any GST) **G10 \$** **G10 on the BAS**

G11 Non-capital purchases (including any GST) **G11 \$** **G11 on the BAS**

G12 G10 + G11 **G12 \$**

How much of your purchases (G10 and G11) are:

G13 Purchases for making input taxed sales **G13 \$**

G14 Purchases without GST in the price **G14 \$**

G15 Estimated purchases for private use or not income tax deductible **G15 \$**

G16 G13 + G14 + G15 **G16 \$**

G17 Total purchases subject to GST (G12 minus G16) **G17 \$**

G18 Adjustments (if applicable) **G18 \$**

G19 Total purchases subject to GST after adjustments (G17 + G18) **G19 \$**

G20 GST on purchases (G19 divided by eleven) **G20 \$** **18 in the Summary section of the BAS**

Reset form

Now go to the GST section on the front of the BAS and follow the instructions on the form. You will need to transfer amounts from this calculation sheet to the BAS.

Activity 5.7: Revision: Checklist for Business

Suppose you own a bookkeeping business (sole trader), and your business has a GST turnover of more than \$75,000. You use a few suppliers and have several customers on account.

- ☐ *If your business does not have a Tax File Number, how can you apply?*

As the business is trading as a sole trader you need to apply for an individual TFN with the ATO.

As an Australian resident your options to apply depend on the identity documents you can provide. You can:

- [apply at Australia Post](#) – using the online form and by presenting your identity documents
- [apply at a Services Australia centre](#) – using the paper form
- [apply by post](#) – using the paper form.

- ☐ *List the website where you can apply for an ABN and register for GST. (You can do both on the one form.)*

Go to www.abr.gov.au

- ☐ *On your application, what method of reporting GST might you choose?*

Report on a cash basis because you use a few suppliers and some customers.

- ☐ *On your application, what reporting period might you choose? Why?*

Probably quarterly - only have 4 forms to complete instead of 12.

- ☐ *Under current legislation, what steps must you take so that you can provide a BAS service to your clients?*

Register as a BAS Agent

Work under the supervision and control of a Tax or BAS Agent.

- ☐ *Write down three different incomes of the business - one taxable, one GST-free and one input taxed.*

Bookkeeping service - GST Interest received - Input Taxed

It is unlikely that any income from a bookkeeping business would be GST-free. Possibly if they provide training materials or time to a GST-free training course.

- ☐ *Write down three business expenses - one taxable, one GST-free and one input taxed.*

Advertising - GST Donations - GST Free Bank Fees - Input Taxed

Activity 6.1: Calculate Selling Price and LCT

A luxury car dealer sold a non-fuel efficient car at a GST inclusive price of \$87,600:

Step 1: Selling price of car is \$87,600.00 including 10% GST but not LCT.

In 24/25 the threshold for Other vehicles (Non-fuel efficient) is \$80,567

Step 2: *Luxury car tax is calculated on selling price less the threshold*

$$\begin{aligned} & \$87,600 - \$80,567 \\ & = \$7,033 \text{ inc GST} \end{aligned}$$

Step 3: Calculate this amount ex GST

$$7,033 \times 10/11$$
$$= 6,393.6364$$

Step 4: The LCT is calculated on the ex GST amount

$$= \$6,393.6364 \times 33\% \text{ LCT}$$
$$= \$2,109 \text{ (rounded down to nearest dollar)}$$

Selling price of the car is $\$87,600 + \$2,109 = \$89,709$ inc GST and LCT

Step 5: Record the reportable LCT on the BAS:

Summary

Amounts you owe the ATO

GST on sales	1A	\$	<input type="text"/>
Wine equalisation tax	1C	\$	<input type="text"/>
Luxury car tax	1E	\$	<input type="text"/>

Activity 6.2: LCT Revision

1. *When does LCT apply?*

You are required to pay LCT if you are registered or required to be registered for GST, and you sell or import a luxury car that are two years old or less - this includes retailers, wholesalers, manufacturers, and other businesses that sell luxury cars. You also must pay LCT if you are an individual (private buyer) who imports a luxury car.

2. *What is a car according to the ATO?*

For LCT purposes, a car is a motor vehicle (but not a motorcycle) designed to carry a load of less than two tonnes and fewer than nine passengers. A limousine is classified as a car, regardless of the number of passengers it's designed to carry.

LCT applies to a car purchased by a person with a disability even if the car is GST-free. However, disability-related modifications are not subject to LCT.

LCT is also payable if you are an endorsed public institution, and you purchase a luxury car locally. An endorsed public institution refers to a museum, gallery or library that is registered for GST and endorsed as a deductible gift recipient. However, if the luxury car is a work of art or a collectors piece and is purchased for the sole purpose of public display, you don't need to pay LCT and can claim a refund at label 1F on your BAS for the LCT paid for the luxury car.

3. *How is a car determined to be fuel efficient?*

A fuel-efficient car has a fuel consumption that does not exceed seven litres per 100 kilometres as a combined rating under the vehicle standards in force under section 7 of the Motor Vehicle Standards Act 1989.

4. *Which vehicles are not subject to LCT?*

- to a car that is (or is intended to be) registered for use as an emergency vehicle such as an ambulance, firefighting vehicle, police vehicle, or search and rescue vehicle
- to a motor home or campervan, or a commercial vehicle designed mainly for carrying goods and not passengers
- where the recipient is a business and using it for trading stock or for research for the car's manufacturer
- to a car to be exported as a GST-free export
- the car was manufactured in Australia more than two years before the sale
- where the car was imported more than two years before the sale
- to modifications for people with a disability.

Activity 6.3: Fuel Tax Credit Eligibility

<p><i>How is a business an eligible taxpayer for fuel tax credits?</i></p> <ul style="list-style-type: none"> the business must be registered for GST when the fuel is acquired use eligible fuels in eligible activities have purchased fuel in the time period when making a claim. 	<p><i>List how a business would not be eligible to be part of fuel tax credits?</i></p> <ul style="list-style-type: none"> is not registered for GST is registered for GST but: <ul style="list-style-type: none"> does not purchase eligible fuels purchases eligible fuels but does not use them for eligible activities.
<p><i>Which are eligible fuels?</i></p> <p>Liquid Fuels: Petrol diesel kerosene mineral turpentine white spirit toluene heating oil Some solvents Some fuel blends</p> <p>Transport Gaseous Fuels:</p> <ul style="list-style-type: none"> LPG liquefied petroleum gas LNG Liquefied natural gas CNG Compressed natural gas. 	<p><i>Which are ineligible fuels?</i></p> <ul style="list-style-type: none"> aviation fuels non- transport gaseous fuels additives eg diesel exhaust fluids because they have no excise or customs duty paid on them.
<p><i>What are eligible activities?</i></p> <p>Using eligible fuels in: Public road transport in business activities using heavy vehicles that have a gross vehicle mass (GVM) greater than 4.5 tonnes. Other business uses can include- not limited to:</p> <ul style="list-style-type: none"> agriculture and fishing forestry and mining marine and rail transport nursing and medical services burner applications electricity generation construction manufacturing wholesale/retail property management landscaping dredging panel beating greenhouse heating cement kilns quarrying industrial furnaces non-fuel uses, including: <ul style="list-style-type: none"> clean machinery parts or drums diesel used as a road sealant fuel used as a mould release fuel used as an input or ingredient - for example, printer inks, paint and adhesives. 	<p><i>What are ineligible activities?</i></p> <ul style="list-style-type: none"> fuels you use in light vehicles of 4.5 tonnes GVM or less, travelling on public roads (eg a car, small van, taxi or ride-sourcing services) fuel used for private purposes - including light vehicles (eg Utes) transport gaseous fuels used in a heavy vehicle which has a GVM greater than 4.5 tonnes for travelling on public roads fuel you acquired, but didn't use because it was lost, stolen or otherwise disposed of fuel that had no excise or customs duty paid on it. For example, used oil that has only been subject to filtering and de-watering and used as fuel oil in burner applications is not eligible for fuel tax credits.

Activity 6.4: Research Wine Equalisation Tax (WET)

1. What is the *Wine Equalisation Tax* and who would charge this tax?

Wine equalisation tax (WET) applies to dealings in wine at the wholesale level. In almost all dealings to which it applies, goods and services tax (GST) will also apply.

WET is calculated as 29% of the taxable supply will apply to the following alcoholic beverages (excluding exports):

- grape wine and grape wine products
- other fruit wines and vegetable wines
- cider and perry
- mead and sake.

The broad aim of the wine tax is to tax the last wholesale sale of wine (usually the sale from the last wholesaler to the retailer).

2. What is WEG?

WEG is GST on the Wine Equalisation Tax and is 10% of the WET inclusive price = 12.9%.

3. According to the ATO how must GST and WET be displayed on an invoice for it to be a valid tax invoice?

Some businesses in the wine industry use accounting packages to generate invoices which give a combined GST and wine equalisation tax (WET) amount, where both taxes apply.

This combined figure is shown at a wine equalisation tax-goods and services tax (WEG) label on the invoice.

If an invoice only contains a WEG figure and does not show WET and GST separately, it will not contain all the necessary information to claim GST credits. This is because it does not clearly show the amount of GST payable.

If a supplier issues an invoice that contains a figure at the WEG label, but also includes sufficient information which will allow you to work out the break-down of the GST and WET, you may claim the GST amount as a GST credit.

If you only have an amount at the WEG label and cannot work out the break-down of GST and WET, ask your supplier to issue you a valid tax invoice.

We recommend that suppliers issuing invoices only showing an amount at the WEG label either:

- change the heading from 'tax invoice' to 'invoice', or
- include all the information for a tax invoice - whether or not the invoice contains an amount at the WEG label.

Activity 7.2: Correcting GST Errors

1. *You have omitted a supplier tax invoice that includes GST that should have been reported on an earlier BAS. What is the time limit for reporting this omission?*

Four-year limit from the lodgement of the BAS for that period.

2. *The GST Turnover of the business is < \$20m. You have entered a sales tax invoice for \$4,400.00 on an earlier BAS twice, what is the time limit for you to correct this error?*

This is a credit error. You must claim the refund within 4 years from the end of the tax period of the activity statement.

3. *The GST turnover of the business is > \$20m. You have incorrectly coded a supplier tax invoice for \$11,000.00 as GST when it was a GST-free supply. What is the time limit for you to correct this error?*

This is a debit error. The amount is within the debit error value limit. The GST turnover is more than \$20,000,000 so you must correct the error within 12 months.

Activity 10.1: Enter a Payment for Subcontractor that includes a Withholding Deduction

Alison Bramier is another subcontractor. She has submitted invoice 003 for \$1,000 for pruning services. Little Blue paid her on the 29/07/2024.

1. *What is 20% of \$1,000?* \$200
2. *What will the actual amount be that is paid to Alison?* \$800
3. *Which accounts are used to record this payment?*
415 Contractor Fees and 827 Voluntary Withholdings Payables 20%

Activity 10.2: Payroll Queries

Use the report **Payroll Employee Summary** to answer the following questions.

1. *What is the total direct payroll cost for Benjamin Lee for the month (ie gross wages + superannuation expense)?*
 $\$6,200 + \$699.20 = \$6,899.20$
2. *What is the total amount of Tax payable for the month?*
\$1,278

Activity 13.1: Varying a FBT Instalment

The new figure for FBT for the year is likely to be \$8,000.

The tax agent has calculated that the total for the year will now be \$8,000, not \$6,000. This is due to a change in fringe benefits for employees: Code 30.

F2: Estimated FBT for the year

= \$ 8,000 as determined by accountant

F3: Calculate varied amount payable for this quarter

F2 x relevant percentage less previous instalment liabilities and credits claimed

From the table below we can see that for the 31 March quarter the relevant percentage is 100%. 100% of \$8,000 is \$8,000.

Deduct from this instalments paid so far. In this case this is \$4,500.

= \$8,000 - (\$1,800 + 1,800 + 900)
= \$3,500

Quarter Ending	Relevant %	\$8000	Instalments Already paid	Instalments Revised
30 June	25%	\$2,000	\$1,800	
30 September	50%	\$4,000	\$1,800	
31 December	75%	\$6,000	\$900	
31 March	100%	\$8,000		3,500

Fringe benefits tax (FBT) instalment

F1 \$ 1500

➤ Write the F1 amount at 6A in the Summary section
OR if varying this amount, complete F2, F3, F4

Estimated FBT for the year F2 \$ 8000.00

Varied amount payable for the quarter F3 \$ 3500.00

➤ Write the F3 amount at 6A in the Summary section

Reason code for variation F4 30

To what label does the amount calculated for F3 get transferred? **6A**

Unit 14 Consolidation Exercise

Reports

Payroll Activity Summary for August 2024

Payroll Activity Summary

FNSTPB411 Little Blue Distillery February - 961
For the period 1 August 2024 to 31 August 2024

PAY ITEM	ACTIVITY STATEMENT	UNITS	AMOUNT
Earnings			
Ordinary Hours	W1	152.0000	6,080.00
Overtime 1.5	W1	6.0000	360.00
Total Earnings			6,440.00
Tax			
PAYG	W2	0.0000	1,356.00
Total Tax			1,356.00
Super			
Superannuation Guarantee Contribution (SGC)		0.0000	699.20
Total Super			699.20
Net Pay			
Net Pay		0.0000	5,084.00
Total Net Pay			5,084.00
Payment			
Payment		0.0000	5,084.00
Total Payment			5,084.00

Profit and Loss August 2024

Profit and Loss

FNSTPB411 Little Blue Distillery February - 961
For the month ended 31 August 2024

AUG 2024

Trading Income

Freight Income	50.00
Hawks Nest House Rental	1,920.00
Interest Income	100.00
Sales	15,225.45
Sales - Flowers	1,200.00
Total Trading Income	18,495.45

Cost of Sales

Purchases	110.16
Total Cost of Sales	110.16

Gross Profit

18,385.29

Operating Expenses

Bank Fees	10.00
Cellar Door Amenities	155.00
Cleaning	200.00
Commission Flowers	240.00
Contractor Fees	1,900.00
Freight & Courier	36.36
Insurance	2,480.00
Interest Expense	300.00
Merchant Fees	95.45
Motor Vehicle Expenses	597.45
Repairs and Maintenance	275.00
Security	1,200.00
Superannuation	699.20
Telephone & Internet	120.00
Term Charges - Computer	55.79
Term charges - Hilux	153.49
Wages and Salaries	6,440.00
Total Operating Expenses	14,957.74

Net Profit

3,427.55

Balance Sheet as at 31 Aug 2024

Balance Sheet	
FNSTPB411 Little Blue Distillery February - 961	
As at 31 August 2024	
31 AUG 2024	
Assets	
Bank	
Business Bank Account	3,694.50
Total Bank	3,694.50
Current Assets	
Accounts Receivable	68,750.00
Total Current Assets	68,750.00
Fixed Assets	
Borrowing costs - Hilux	519.50
Computer Equipment	6,400.00
Motor Vehicles	42,683.18
Plant & Equipment	(48,000.00)
Total Fixed Assets	1,602.68
Total Assets	74,047.18
Liabilities	
Current Liabilities	
Accounts Payable	121.18
Business Credit Card	4,540.00
GST	1,268.90
No ABN Withholding Tax	94.00
Owner A Drawings	(88.00)
PAYG Withholdings Payable	1,356.00
Premium Funding Company	2,718.00
Rounding	(0.01)
Superannuation Payable	1,398.40
Voluntary Withholdings Payable 20%	380.00
Total Current Liabilities	11,788.47
Non-current Liabilities	
Finance Company - Computer	6,037.50
Finance Company - Hilux 842.00	48,732.00
less Unexpired term charges	(4,420.51)
less Unexpired term charges - Computer	(738.63)
Total Non-current Liabilities	49,610.36
Total Liabilities	61,398.83
Net Assets	12,648.35
Equity	
Current Year Earnings	12,648.35
Total Equity	12,648.35

Reconcile Payroll with Balance Sheet and Profit and Loss

So now you have the Payroll Activity Summary, the Profit and Loss and the Balance Sheet reports.

1. Use the following table to check your payroll data by matching the report balances in each of these reports.

Note: There are no allowances or deductions in this case study.

Matching report balances		
Payroll Activity Summary		Profit and Loss
Total Earnings	should match	Wages and Salaries plus total Allowances
6,440.00		6,440.00
Total Super	should match	Superannuation
699.20		699.20
Payroll Activity Summary		Balance Sheet
Total Tax	should match	PAYG Withholdings Payable
1,356.00		1,356.00
Total Deductions	should match	Any Other Payable Deductions
\$0.00		\$0.00

Reconcile Accounts Receivable and Payable for August 2024

Reconcile Accounts Receivable

1. Create an **Aged Receivables Summary** as at 31 Aug 2024 and save a copy of the report to PDF
2. Reconcile the outstanding total with the balance of the Accounts Receivable account on the Balance Sheet - both should be \$68,750

Aged Receivables Summary

FNSTPB411 Little Blue Distillery February - 961

As at 31 August 2024

Ageing by due date

CONTACT	CURRENT	< 1 MONTH	1 MONTH	2 MONTHS	3 MONTHS	OLDER	TOTAL
Plant Nation	66,000.00	-	-	-	-	-	66,000.00
The Pier Events	-	2,750.00	-	-	-	-	2,750.00
Total	66,000.00	2,750.00	-	-	-	-	68,750.00
Percentage of total	96.00%	4.00%	-	-	-	-	100.00%

Reconcile Accounts Payable

3. Create an **Aged Payables Summary** as at 31 Aug 2024 and save a copy of the report to PDF
4. Reconcile the outstanding total with the balance of the Accounts Payable account on the Balance Sheet - both should be \$121.18.

Aged Payables Summary

FNSTPB411 Little Blue Distillery February - 961

As at 31 August 2024

Ageing by due date

CONTACT	CURRENT	< 1 MONTH	1 MONTH	2 MONTHS	3 MONTHS	OLDER	TOTAL
Aged Payables							
SDS Supplies	121.18	-	-	-	-	-	121.18
Total Aged Payables	121.18	-	-	-	-	-	121.18
Total	121.18	-	-	-	-	-	121.18
Percentage of total	100.00%	-	-	-	-	-	100.00%

Reconcile the GST - Accruals Basis

Data from the Transactions by Tax Rate Audit Report

GST Collected

GST on Income 7,594.55

GST Paid

GST on Expenses 455.33

GST on Capital 5,870.32

Total GST on Purchases 6,325.65

Net GST 1,268.90

Balance of GST Account on Balance Sheet = 1,268.90

Activity Statement August 2024 Accrual

Activity Statement		
FNSTPB411 Little Blue Distillery February - 961		
For the period ending 31 August 2024		
ABN		8411112223
GST Accounting Method		Accruals Basis
Goods and Services Tax (Aug)		
Total sales	G1	86,090
Does the amount shown at G1 include GST		Yes
Export sales	G2	530
Other GST-free sales	G3	100
Capital purchases	G10	64,573
Non-capital purchases	G11	6,737
PAYG Tax Withheld (Aug)		
Total salary, wages and other payments	W1	8,340
Amount withheld from payments shown at W1	W2	1,736
Amount withheld where no ABN is quoted	W4	94
Other amounts withheld (excluding any amount shown in W2 or W4)	W3	
Total amounts withheld (W2 + W4 + W3)	W5	1,830
Amounts you owe the Tax Office		
GST on sales	1A	7,594
Wine equalisation tax	1C	
Luxury car tax	1E	
PAYG tax withheld	4	1,830
Fuel tax credit over claim (Do not claim in litres)	7C	
Total owed to the ATO	8A	9,424
Amounts the Tax Office owes you		
GST on purchases	1B	6,325
Wine equalisation tax refundable	1D	
Luxury car tax refundable	1F	
Fuel tax credit (Do not claim in litres)	7D	
Total owed by the ATO	8B	6,325
Payment or Refund		
Is 8A more than 8B?		Yes
Your payment	9	3,099

Complete the following tables:

Account	Name	Source	Amount
820	GST	Activity Statement	1,268.90
825	PAYG Withholdings Payable	Balance Sheet	1,356.00
827	Vol. Withholdings Payable	Balance Sheet	380.00
828	No ABN Withholding Tax	Balance Sheet	94.00
860	Rounding	This table	0.10
Total Payment			3,099.00

In a general journal entry, the accounts and amounts would be entered as shown:

Account	Name	Debit	Credit
100	Business Bank Account		3,099.00
820	GST	1,268.90	
825	PAYG Withholdings Payable	1,356.00	
827	Vol. Withholdings Payable	380.00	
828	No ABN Withholding Tax	94.00	
860	Rounding	0.10	
Total		3,099.00	3,099.00

Activity Statement August 2024 Cash

Activity Statement

FNSTPB411 Little Blue Distillery February - 961
For the period ending 31 August 2024

ABN		84111122223
GST Accounting Method		Cash Basis
Goods and Services Tax (Aug)		
Total sales	G1	20,090
Does the amount shown at G1 include GST		Yes
Export sales	G2	530
Other GST-free sales	G3	100
Capital purchases	G10	64,573
Non-capital purchases	G11	6,615
PAYG Tax Withheld (Aug)		
Total salary, wages and other payments	W1	8,340
Amount withheld from payments shown at W1	W2	1,736
Amount withheld where no ABN is quoted	W4	94
Other amounts withheld (excluding any amount shown in W2 or W4)	W3	
Total amounts withheld (W2 + W4 + W3)	W5	1,830
Amounts you owe the Tax Office		
GST on sales	1A	1,594
Wine equalisation tax	1C	
Luxury car tax	1E	
PAYG tax withheld	4	1,830
Fuel tax credit over claim (Do not claim in litres)	7C	
Total owed to the ATO	8A	3,424
Amounts the Tax Office owes you		
GST on purchases	1B	6,314
Wine equalisation tax refundable	1D	
Luxury car tax refundable	1F	
Fuel tax credit (Do not claim in litres)	7D	
Total owed by the ATO	8B	6,314
Payment or Refund		
Is 8A more than 8B?		No
Your refund	9	2,890

