

# GSTalert

Grant Thornton periodical reporting  
on Goods and Services Tax issues  
for clients in business.

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## In this edition of **GSTalert** we consider the need for your organisation to conduct a GST health check...

You may have read an article in the Australian Financial Review on 20 March 2007 featuring Grant Thornton in Sydney's Indirect Tax Director, John Davison. Following on from the comments made by John in this article regarding a GST health check, we set out some issues that you should take time to consider.

### Staff training

Our first issue of importance is staff training. In order to allow for the correct preparation of the BAS's it is important that all staff involved have sufficient GST knowledge and experience. While there was a flurry of GST training in the lead up to the introduction of GST, training may not have continued after this time. The risk posed here is that as staff leave an organisation over time, new staff may come on board without enough GST knowledge, and in the absence of training the likelihood of errors and omissions are increased.

### Record keeping

Our next critical issue is in relation to record keeping. While most may be aware of the tax invoice requirements and the record retention period, this is not always properly put into

practice. As a consequence, GST records and record keeping practices should be reviewed periodically to ensure records are kept in compliance with the law.

### Accounting system

While many organisations invested in updating their accounting system prior to the introduction of GST, systems may not have been reviewed or updated to reflect various GST law changes or to encompass changing business needs. For instance, the off the shelf product acquired seven years ago may no longer be relevant for the same business today. Therefore, an assessment of the suitability of the accounting system should be undertaken periodically.

### New business transactions

One of the dilemmas facing most organisations in regards to GST is not so much the day-to-day sales and purchases, rather it's the new, irregular or one-off transactions that are most likely to result in GST errors. Capital raisings, significant asset acquisitions or divestments, real property transactions, new business ventures or dealing with new customer groups (such as overseas customers) pose significant risk areas for GST.

# Checklist

In order to assist you with determining the need for a GST health check, we have provided you with a list of questions that should be considered. Answering questions in the negative may indicate that there is a pressing need for such a check to be undertaken. Given that the ATO have moved away from an education-based stance to a compliance-based approach with GST, the need for GST health check may be more pertinent than anticipated.

## Record keeping

- are tax invoices received before making payments to suppliers?
- are tax invoices reviewed for completeness before making payment?
- if a supplier is not required to quote their ABN, do you retain a sufficient declaration to support this?
- are BAS workpapers retained and accessible?
- are internal procedures in place in relation to record keeping?

## Staff training

- are the staff who are responsible for inputting transactions into the accounting system aware of the tax invoice requirements?
- are the staff who are responsible for coding transactions within the accounting system aware of the limits in which input tax credits can be claimed?

- are the staff responsible for paying suppliers aware of the requirement of a supplier to quote an ABN or otherwise be required to withhold?
- do the staff who prepare/review the BAS's have sufficient experience in GST?
- are new staff sufficiently trained in GST upon commencement of their roles?

## Accounting system

- does the accounting system get periodically updated in response to changes in the GST law?
- does the accounting system get assessed for suitability on a periodic basis?
- does the accounting system properly handle transactions that weren't planned for at implementation of the system?

## New transactions

- has external advice been sought in relation to the GST implications of new, irregular or one-off transactions?
- where external GST advice has been sought, are procedures in place to ensure the advice is put into practice and not forgotten about?

Please contact your Grant Thornton advisor should you consider that your organisation is in need of a GST health check or if you wish to seek further information.

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