



# GOODS AND SERVICES TAX (GST) ADMINISTRATION



A Better Practice Guide for the Management  
of GST Administration

**ACCOMPANYING  
WORKBOOK**

**MAY 2003**

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#### **Acknowledgement**

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#### **Disclaimer**

This Better Practice Guide and accompanying Workbook have been reviewed by the ATO. While every effort is made to ensure the contents are accurate, the wording of examples and topics necessarily represents the general positions only and care should be taken in interpreting such wording. Please note that advice in this Guide and Workbook is not binding on the ATO. These documents reflect the position at the date of release and readers should note that the position on any issue might subsequently change.

# Overview



This is a companion workbook to the ANAO guide '*A Better Practice Guide for the Management of GST Administration*'. The latter deals with the better practice framework required for managing GST administration in Commonwealth organisations.

The guide describes **Six Better Practices** in GST administration.

1. **Apply a risk management approach to GST administration.**
2. **Establish an internal control environment that effectively supports GST processing.**
3. **Identify and document all GST impacted transactions in the organisation's operations and the technical positions that relate to them.**
4. **Process and report GST transactions in an accurate, complete and timely manner.**
5. **Manage changes that impact on GST administration.**
6. **Monitor and review the effectiveness of GST administration.**

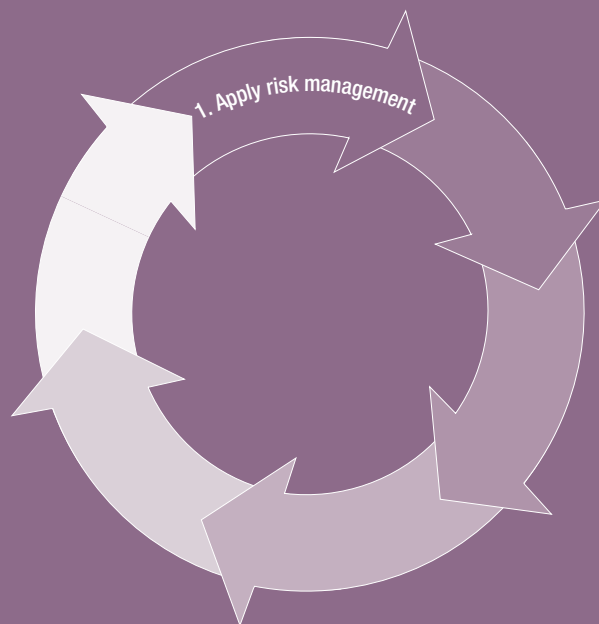
This workbook provides example tools, templates and checklists that can be used by an organisation in implementing this better practice framework. It is directed primarily at the chief finance officer and managers with responsibility for GST management. It may also be useful for staff who undertake aspects of GST processing and BAS reporting.

Each chapter of the Workbook relates to a chapter of the guide. Organisations may find it useful to read the relevant guide chapter first and then work through the tools.

### ***Structure of the Workbook***

Each chapter includes the following:

- A. introduction – describing the key aspects of the better practice;
- B. tool checklist – listing the tools provided for the better practice and their purpose; and
- C. tools – each tool is introduced by defining the following:
  - **Why** – the benefits that can be obtained from using the tool
  - **When** – suggestions as to when an organisation might find it useful to use the tool, including frequency of use
  - **How** – how to complete or adapt the tool to meet an organisation's requirements.



## Better Practice No 1:



Apply a risk management approach  
to GST administration

# Better Practice No 1:

## Apply a risk management approach to GST administration



### A. Introduction

Effective risk management is the starting point for effective GST administration. GST administration presents a number of risks that require management since GST decisions and treatments are required on all transactions between an organisation and its customers and suppliers, as well as most (if not all) transactions processed within an organisation.

The execution of a GST risk management plan provides an organisation with a useful tool to design its control framework. If an organisation formally links its GST risks to the controls it has implemented, evaluates gaps, and subsequently introduces additional controls, it can have confidence that there is a framework for properly mitigating GST risks. Well-managed GST administration provides benefits to an organisation: – compliance with the legislation, cost efficient processing and the ability to properly deal with and minimise the effects of ATO audit activity.

## B. Tools

Organisations may find the following tools useful in implementing this better practice.

	Tool	Purpose
1.1	GST risk context diagnostic	Assists in establishing the overall priority that an organisation should allocate to GST management.
1.2	GST administration risks – example descriptions	Examples of GST risks that an organisation can use to build up its own risk profile.
1.3	Risk register	This tool that can be used to formally link GST risk with control. Provides a framework to formally document risk, controls and action plans.

### Tool 1.1 GST risk context diagnostic

**Why?** To understand the complexity of an organisation's GST context. This will assist in defining resource allocation to managing GST risks.

**When?** Use this tool at times of major organisational, system and process change. If the GST risk context has never been assessed, organisations may find it useful to complete this tool before working through the rest of the guide and workbook.

**How?** Work through the indicators described in the tool and allocate a 'risk evaluation' grading of between one and five to each of the indicators where **one** represents a simple, low risk attribute, and **five** represents complex, high risk attributes. Examples are provided that might indicate low and high evaluations. Consideration of the grading allocated to each of these questions should provide an organisation with an indication of the significance of GST administration in the context of other risks facing the organisation. If answers to most of the questions are at the lower end of the scale, an organisation will probably be unwilling to allocate additional resources to managing GST risks. If any of the answers range between three and five, an organisation probably has GST risks that require active management.

Workbook  
tool 1.1



		EVALUATION					
		LOW HIGH					
Diagnostic question	Attribute(s) of LOW Evaluation	1	2	3	4	5	Attribute(s) of HIGH Evaluation
<p>How has the GST reporting structure been organised?</p> <p>Consider:</p> <ul style="list-style-type: none"> <li>- grouping of entities for GST purposes;</li> <li>- tax periods used; and</li> <li>- number of ABN(s) used.</li> </ul>	<p><i>One organisation has been registered as one entity for GST purposes with one ABN.</i></p>						<p><i>Several entities have been grouped.</i></p> <p><i>Different tax periods are used by non-grouped entities.</i></p> <p><i>Different ABNs are administered.</i></p>
<p>How many organisational or functional units are impacted, including both business support and operational units?</p>	<p><i>GST impacts the finance function and no other functional areas. The finance function is physically centralised.</i></p>						<p><i>Many units are involved in GST activities – coding, reporting, contracting, pricing. These units are geographically spread.</i></p>
<p>How many information systems are used for each entity in the Group structure for all areas of the business where there is a GST impact?</p> <p>Brand and version should be identified.</p>	<p><i>One system is used for recording all transactions and BAS reporting.</i></p>						<p><i>Multiple systems are used. Processes include interfaces and downloads of data. System data needs extensive adjustment for BAS reporting. Brands and versions are unknown.</i></p>
<p>What is the monthly value of GST transactions processed for each system, including acquisitions, supplies and adjustments?</p>	<p><i>Negligible in the context of total revenues.</i></p>						<p><i>Significant in the context of total revenues.</i></p> <p><i>Data unknown.</i></p>
<p>What is the monthly volume of transactions processed for each system, including acquisitions, supplies and adjustments?</p>	<p><i>Few – several hundred.</i></p> <p><i>All transactions subject to review processes.</i></p>						<p><i>Many – several thousand.</i></p> <p><i>Data unknown.</i></p>

		EVALUATION						
		LOW HIGH						
Diagnostic question	Attribute(s) of LOW Evaluation	1	2	3	4	5	Attribute(s) of HIGH Evaluation	
What is the total monthly GST throughput processed – adding GST on average outputs to GST on average inputs, including GST related to adjustments?	<i>Negligible in the context of total revenues.</i>						<i>High in the context of total revenues. Data unknown.</i>	
Who are the system owners and key GST reviewers for each system, by name/title/location?	<i>One owner for one system and this has been clearly defined.</i>						<i>Not defined. Many.</i>	
How many personnel are able to enter GST related data for each system?	<i>Less than 10. All have received refresher training in the last six months.</i>						<i>More than 50. Not known. Limited ongoing training.</i>	
How many and what grade of personnel are able to alter critical GST system elements eg. flagging, rates, defaults, hierarchy?	<i>Less than 5. Changes reviewed by GST manager.</i>						<i>More than 15. Not known.</i>	
What are the main categories of revenue (eg taxable, input taxed, GST free, out of scope) by typical monthly value / volume?	<i>Appropriation only – GST out-of-scope.</i>						<i>Several types of revenue. Uncertain of total monthly value/volume by type.</i>	
What are the main categories of expenditure by typical monthly value / volume?	<i>Few categories of acquisitions – two or three coding choices used.</i>						<i>Several types of expenditure. Uncertain of total monthly value/volume by type.</i>	

		EVALUATION					
		LOW HIGH					
Diagnostic question	Attribute(s) of LOW Evaluation	1	2	3	4	5	Attribute(s) of HIGH Evaluation
Are there any other unusual features of GST profile – eg presence of RCTI agreements, distribution of grants, real property disposals, management of other entities' GST affairs, use of agents, Division 81 matters?	<i>Certainty that GST profile is simple because of documented specialist advice.</i>						<i>Unsure if transactions are unusual.  Aware that the organisation has some complex GST issues either technically or administratively.</i>

**Workbook  
tool 1.2**

## Tool 1.2 GST administration risks – example descriptions

**Why?** This tool will assist in defining the GST risks facing an organisation. Once risks have been defined, they can be matched to controls.

**When?** Complete and update on an annual basis. Also, use this tool at times of major organisational, system and process change.

**How?** Consider the example risk descriptions provided below and decide if they could apply to the organisation. Completing a list of all those risk descriptions that are relevant, provides an organisation with a GST administration risk profile.

The risks have been divided into two categories – *legislative compliance risks* and *systems and processing risks* – and various sub-categories, but organisations will probably be able to identify additional risk descriptions from detailed knowledge of the organisation's operations. These should also be included in the GST risk profile.

## 1. Legislative compliance risks

Risk type	Risk description	Applies ?
Transaction analysis	<p>The risk that the organisation inadequately identifies and captures all transactions that may have a GST impact. This includes the risks that:</p> <ul style="list-style-type: none"> <li>▶ GST law is incorrectly interpreted in its application to the organisation's systems and processes, leading to non-compliance;</li> <li>▶ Changes to GST law are not noticed and acted upon;</li> <li>▶ Relevant GST issues are not identified;</li> <li>▶ The GST elements of some supplies and acquisitions are not captured by the organisation;</li> <li>▶ A change in the organisation's operations gives rise to new transactions that are not properly treated for GST purposes;</li> <li>▶ Price increase not compliant with the ACCC guidelines;</li> <li>▶ Prices may be quoted to consumers exclusive of GST; and</li> <li>▶ Price inclusive of GST may not be attractive to customers.</li> </ul>	
Statutory documentation	<p>The risk that the organisation's transactions are not supported by documents that comply with GST legislation. This includes the risks that:</p> <ul style="list-style-type: none"> <li>▶ The sales (billing/accounts receivable) department produces invalid tax invoices and adjustment notes to record supplies and adjustments;</li> <li>▶ The accounts payable department processes payment and adjustment transactions on the basis of invalid tax invoices and adjustment notes; and</li> <li>▶ GST input tax leakage resulting from lack of the required documentation to support claim of input tax credit.</li> </ul>	
Attribution	<p>The risk that the organisation does not effectively comply with the attribution (timing) rules of GST legislation. This includes the risks that:</p> <ul style="list-style-type: none"> <li>▶ GST payable is attributed to the wrong tax period; and</li> <li>▶ Input tax credits are claimed in the wrong tax period.</li> </ul>	
Adjustments	<p>The risk that the organisation does not comply with the adjustment rules of GST legislation. This includes the risks that:</p> <ul style="list-style-type: none"> <li>▶ Increasing and decreasing adjustments are not recognised or are recognised in the wrong period;</li> <li>▶ Decreasing adjustments are claimed without adjustment notes; and</li> <li>▶ Adjustment notes are not issued to customers.</li> </ul>	

## 2. Systems and processing risks

Risk type	Risk description	Applies ?
Process configuration	<p>This includes the risks that:</p> <ul style="list-style-type: none"> <li>▶ The organisation does not have the infrastructure (i.e. hardware, networks, software, people and processes) it needs to effectively support the current and future information requirements of the organisation in an efficient, cost-effective and well-controlled fashion;</li> <li>▶ Overall responsibility for management of GST is not assigned to a key individual. This lack of GST ownership may hinder the organisation's ability to implement GST risk management and continuous business process improvement;</li> <li>▶ The personnel responsible for managing, controlling and processing GST transactions do not possess the requisite knowledge, skills or experience to ensure that transactions are processed appropriately;</li> <li>▶ Processes for capturing and sharing knowledge with respect to GST across the organisation are either non-existent or ineffective. This may result in repeated mistakes, resulting in slow response time, high costs, slow competence development, constraints on growth and unmotivated employees;</li> <li>▶ Interfaces between individual systems and the general ledger are incomplete;</li> <li>▶ System generated reporting is inaccurate and incomplete;</li> <li>▶ System incorrectly calculates GST amounts based on the assigned tax code;</li> <li>▶ System configuration in relation to rounding and discounts does not meet the requirements of legislation;</li> <li>▶ System errors impact the integrity of data; and</li> <li>▶ Failure to adequately restrict access to information (data or programs) may result in unauthorized changes being made to master files.</li> </ul>	
Data entry	<p>The risk that data processed in the organisation's information system is inaccurate (i.e. not the same as the transaction), unauthorised or duplicated. This includes the risks that:</p> <ul style="list-style-type: none"> <li>▶ GST exclusive, GST inclusive and GST amounts recorded in transactions do not match hard copy source or output documents;</li> <li>▶ Transactions are entered without recording the GST impacts;</li> <li>▶ Unauthorised transactions are processed; and</li> <li>▶ ITCs are claimed twice due to duplicate data entries.</li> </ul>	
Tax coding	<p>The risk that processors apply incorrect tax codes to individual transactions. This includes the risks that:</p> <ul style="list-style-type: none"> <li>▶ Tax codes have been incorrectly defined;</li> <li>▶ Tax codes have been inaccurately set-up in the organisation's information system;</li> <li>▶ Incorrect default tax codes are assigned to some transactions; and</li> <li>▶ Incorrect tax codes are manually processed against some transactions.</li> </ul>	

Risk type	Risk description	Applies ?
<b>BAS compilation</b>	<p>The risk that Business Activity Statement (BAS) reporting is inaccurate, inefficient or untimely. This includes the risks that:</p> <ul style="list-style-type: none"> <li>▶ Transposition errors occur between transferring the data from system reports used to compile the BAS to the BAS form or entry screen;</li> <li>▶ BAS source reports do not include all impacted GST transactions, for example, because the source reports are generated using the wrong data or time fields;</li> <li>▶ Transactions are processed after the BAS source reports are run and the GST impacts of these transactions are not included in the BAS;</li> <li>▶ Data is incorrectly classified in the BAS, due to misunderstanding of BAS labels;</li> <li>▶ Processes that have GST impacts are outsourced (for example salary packaged items) and the related GST recording and reporting is inaccurate;</li> <li>▶ Failure to disclose transactions that are required to be disclosed because there is no impact on the net amount of GST payable;</li> <li>▶ BAS is lodged late to the ATO due to unnecessary or inefficient activities;</li> <li>▶ BAS is lodged without proper authorisation and quality control procedures;</li> <li>▶ Processes used to prepare the BAS is time-consuming and involves manual manipulation of data; and</li> <li>▶ Potential damage to organisation's reputation following incorrect reporting of GST.</li> </ul>	

### Tool 1.3 Risk register

**Why?** This tool can be used to match controls to risks, define responsibilities and document further action plans.

**When?** Complete and update on an ongoing basis.

**How?** Document GST risks in the left hand column and then complete the listing of controls – usually, several controls will be required to mitigate each risk description.

The information can then be assessed and a decision taken as to whether further action is required, and who should be responsible.

A risk register template and a completed example are provided on the next two pages.

**Workbook  
tool 1.3**

AGENCY XYZ: GST RISK REGISTER					
September 2002					
Risk No	Risk description	Controls	Responsible individual	Further action required Describe	Responsible individual

Example of completed risk register.

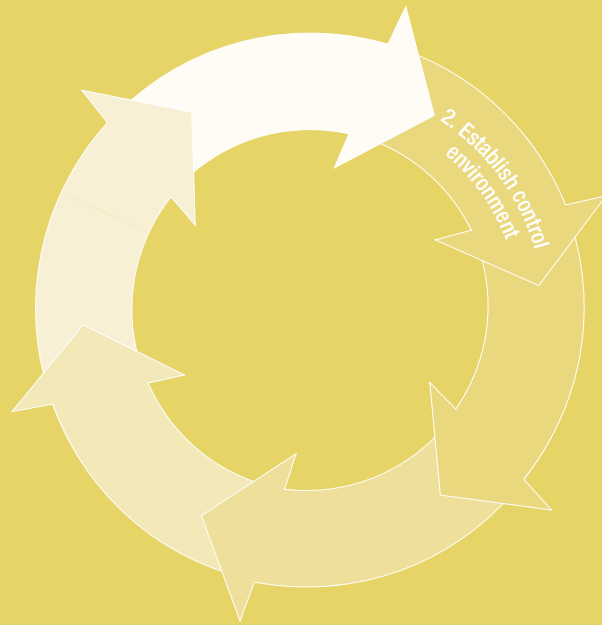
AGENCY XYZ: GST RISK REGISTER					
September 2002					
Risk No	Risk description	Controls	Responsible individual	Further action required Describe	Responsible individual
23	GST Law is incorrectly interpreted in its application to the organisation's systems and processes, leading to non-compliance.	Formal review at implementation.  Updated complete transaction listing in August 2002. (Doc ref H; Tax/GST Risk Management/risk and control listing/3. doc)  Refresher training – quarterly training needs analysis conducted.  Exception reporting.	GST Manager	No	N/A
24	Changes to GST law are not noticed and acted upon.	GST Manager attends public sector forum, receives technical updates, regular contact with professional advisers.  Certifies transaction listing is up to date annually.	GST Manager	Annual re-certification	GST Manager

## AGENCY XYZ: GST RISK REGISTER

September 2002

Risk No	Risk description	Controls	Responsible individual	Further action required Describe	Responsible individual
25	Transposition errors occur between transferring the data from system reports used to compile the BAS to the BAS form or entry screen.	Financial accountant prepares BAS.  She is experienced and qualified.  System reports retained and kept in BAS lodgement file.	Financial accountant	GST Manager should check for error and sign off prior to submission.	GST Manager
26	Data is incorrectly classified in the BAS, due to misunderstanding BAS labels.	Information System GST coding mapped to BAS labels. Signed off by GST specialist firm post implementation.	Inherent system control/IT Dept.	New purchasing module added in May 2002 – did not get independent sign off on mapping integrity.	IT Dept, to be completed by end November 2002.





## Better Practice No 2:



Establish an internal control environment that effectively supports GST processing

# Better Practice No 2:

## Establish an internal control environment that effectively supports GST processing



### A. Introduction

An effective internal control framework provides organisations with the basis of ensuring the integrity of GST administration. Organisations should establish a control environment that clearly sets out GST management and processing responsibilities and activities, as well as providing an information systems framework that is capable of properly supporting processing. There are four essential steps to an effective control environment:<sup>1</sup>

- ▶ defining the organisational structure that supports GST administration;
- ▶ the existence of up to date and complete procedures;
- ▶ ensuring ongoing controls exist over information systems' environment; and
- ▶ making sure personnel are responsible and competent.

### B. Tools

Organisations may find the following tools useful in implementing this better practice:

	Tool	Purpose
2.1	CFO/ GST manager responsibilities	Assists in understanding who is responsible for GST management functions. This list can also be used to complete GST manager position descriptions.
2.2	Information systems' GST controls checklist	To evaluate controls that exist over information systems used for GST.
2.3	GST training practices	Assists in evaluating current GST training activities.

<sup>1</sup> Further information on these elements of an effective internal control environment can be found in the ANAO's Better Practice Guide – *Controlling Performance and Outcomes*.

## Tool 2.1 CFO/GST Manager responsibilities

Workbook  
tool 2.1

**Why?** Organisations can use the list to understand who performs the functions within an organisation – and to identify any gaps.

The list can also be used to complete CFO/GST Manager position descriptions.

**When?** Complete and update on a periodic basis. Also, use this tool at times of major organisational, system and process change.

**How?** Read through the GST management responsibilities and consider who is responsible,

\* In organisations where there is a GST Manager, the responsibilities marked with an asterisk will generally be retained by the CFO assisted by the GST Manager.

Who is responsible in your organisation?	Name
* Management of GST risk assessment activity.	
Assessing and managing the impacts of legislative change.	
Maintaining all GST registers: tax position registers, grant registers, contract registers, issue listings.	
Providing advice to business units and processors on GST matters.	
Establishing GST professional development and training programs.	
Ensuring policies and procedures related to GST are complete and current.	
* Authorising BAS reporting.	
Supervising the BAS preparation process.	
Managing the ATO relationship for GST purposes.	
* Responsibility for ensuring that the GST elements of annual reporting meet normal standards, including legislative requirements, Australian Accounting Standards and Urgent Issues Group (UIG) abstracts.	
Establishing and monitoring test programs.	
* Implementing a continuous improvement process around GST administration.	

## Tool 2.2 Information systems' GST control checklist

**Why?** Organisations can use this checklist to evaluate information systems controls to support GST administration.

**When?** Complete and update on an annual basis. Also, use this tool at times of major organisational, system and process change.

**How?** If an answer to a question indicates that these specific controls do not exist, organisations may find it useful to document the alternative mechanisms used to ensure that information system control objectives are met.

**Control requirement 1** – Modifications of IT systems for GST are innovative, cost-effective and appropriate to the agency's operational requirements.

Does the organisation use these controls?	Control exists?
* System developers and administrators have adequate experience to understand the systems they work with.	
* GST system modifications are formally authorised and operate as intended.	
* All changes in relation to GST, including those initiated by data processing personnel are subjected to rigorous integrity testing.	
* Evidence that GST related test results have been reviewed and approved by data processing personnel and users following testing.	
* Evidence that all systems and program changes are notified to all personnel affected by these changes.	
* Prompt incorporation or update of GST changes in relevant system user manuals.	
* The system has capacity for possible future GST requirements.	

**Control requirement 2** – GST requirements are considered in the earliest stages of system change proposals.

Does the organisation use these controls?	Control exists?
* The GST Manager is in regular contact with the information systems department.	
* The GST Manager participates in project teams for system change.	

**Control requirement 3** – Ensure information systems provide the right information to users according to their GST requirements.

Does the organisation use these controls?	<i>Control exists?</i>
* Adequate establishment and execution procedures over loading on-line application systems and systems software relating to GST.	
* Use of checklists, control statements and system parameters in data entry and internal processing that accord with approved protocols and procedures.	
* System can produce exception reporting of transactions that are outside of established parameters.	

**Control requirement 4** – System access is controlled and reviewed.

Does the organisation use these controls?	<i>Control exists?</i>
* System access to change inherent controls such as coding rates, defaults and authorisation hierarchy is controlled and reviewed.	
* System access for BAS delivery is restricted to authorised personnel only.	

**Control requirement 5** – Ensure the BAS is submitted on time.

Does the organisation use these controls?	<i>Control exists?</i>
* System downtime is infrequent and of short duration and is thus not significantly impacting work flows.	
* The system is available to process transactions, run reports and generate the BAS when required for timely transaction processing, reconciliation and validation tasks and lodgement of the BAS.	
* The system is able to connect to the ATO server and lodge an electronic BAS that is in an ATO acceptable format.	
* Continuity planning has occurred so that, in the event that system failure occurs, the normal BAS lodgement process can take place.	

**Workbook  
tool 2.3**

### Tool 2.3 GST training practices

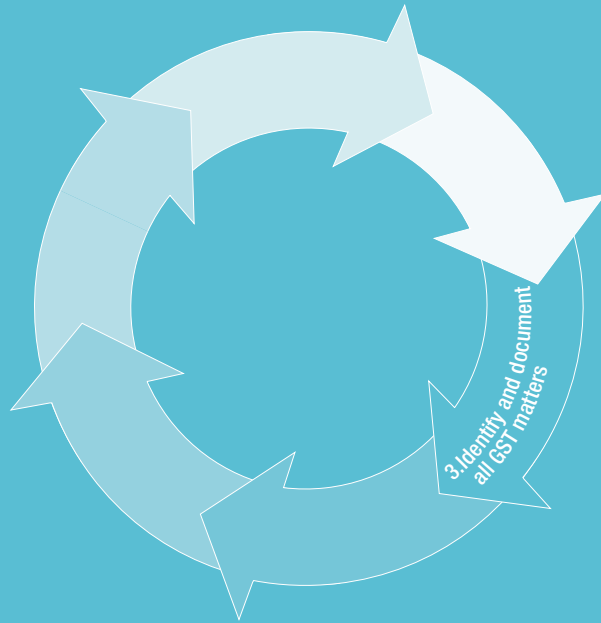
**Why?** Organisations can use the list to identify any gaps in training for GST purposes.

**When?** Complete and update on a periodic basis. Also, use this tool at times of major organisational, system and process change.

**How?** An organisation may have additional training elements and these should be added to the list.

Does the organisation use these types of training activity?		Yes/No/ N/A
<b>Training needs analysis</b>	Formal analysis helps ensure that all GST training requirements are identified, budgeted and planned for.	
<b>Training plans and manuals</b>	Training plans and manuals need regular updating to take account of changes to procedures and personnel.	
<b>Induction training</b>	Even if they are experienced and understand the legislation, new employees need induction training to understand GST management in the organisation.	
<b>Refresher training in processing</b>	If there has been no GST training at an organisation since implementation, an opportunity to address some of the errors that will have been a normal part of the organisation's adoption of new processes may have been missed. Some organisations use specific refresher training to rectify problems that have been identified in formal testing. Two common subjects for this type of training are processing transactions with mixed treatments and distinguishing between GST free and GST out-of-scope transactions.	
<b>Personalised training programs</b>	Some GST Managers provide one-on-one training for key personnel related to their particular areas of GST responsibility. For example, a project officer who needs to understand how to code project expenses requires a detailed training session, probably limited to types of acquisitions and an understanding of attribution. A project officer who manages grant programs has a different set of GST knowledge needs.	
<b>Training feedback</b>	Formal questionnaires that assess whether the training goals have been met are useful for all types of training. In this case, they will help assess if GST training goals have been met.	





## Better Practice No 3:



Identify and document all GST impacted transactions in the organisation's operations and the technical positions that relate to them



# Better Practice No 3:

## Identify and document all GST impacted transactions in the organisation's operations and the technical positions that relate to them



### A. Introduction

Organisations need to have well-developed processes whereby complex and changing legislation and rulings can be interpreted and applied to a particular organisation's operating environment.

This better practice requires the identification, documentation and review of an organisation's GST transactions and related treatments.

### B. Tools

Organisations may find the following tools useful in implementing this better practice:

	Tool	Purpose
3.1	Assessment of transactions for GST purposes.	Use this tool to document all transactions processed by the organisation and their treatments. This provides a useful reference tool for processors. Formally assessing transactions with a GST impact is the first stage in getting treatments right.
3.2	Tax position paper template	Use this tool to document tax positions and rationales.

### Tool 3.1 Assessment of transactions for GST purposes.

Workbook  
tool 3.1

**Why?** Formally assessing transactions with a GST impact is the first stage in getting treatments right.

**When?** Complete and update on an ongoing basis.

**How?** The first step is to detail all transactions and describe them in detail (in most organisations this document will run to several pages).

- ▶ Then document the GST treatment.
- ▶ Document the treatment rationale describing why this treatment has been adopted.
- ▶ Then decide if a tax position paper is required.
- ▶ An appropriate authority should authorise the position taken.

A completed example is provided on the next page.

Transaction type	Detail	GST treatment	Treatment rationale	Tax position required	Authorisation Date
<i>Revenue</i>					
<i>Expenditure</i>					
<i>Other</i>					

## Example

Transaction type	Detail	GST treatment	Treatment rationale	Tax position required	Authorisation Date
<b>Revenue</b>					
Grant	Annual funding from QLD government	Out-of-scope	Refer position paper	Y	
Sales	Tickets to special environment exhibition – July 2002	GST free	Refer position paper and detailed conclusions	Y	
<b>Expenditure</b>					
Consultant	Sao Paulo university, advice on exhibition set up – 6 month secondment of project officer	No GST charged by supplier (unregistered offshore entity)	Refer position paper	Y	
<b>Other</b>					
Attribution	Receipt of security deposit for hiring function space.	No GST attributable until deposit is applied to venue hire charge.	Sec 99 of GST Act. Refer position paper.	Y	
Adjustments	Early settlement discounts offered by suppliers	Increasing adjustment to be recorded.	Refer position paper (including attribution of adjustment)	Y	

## Tool 3.2 Tax position paper template

Workbook  
tool 3.2

**Why?** Requiring the documentation of tax positions adopted ensures that the organisation formally considers GST treatments.

**When?** Complete and update on an ongoing basis.

**How?** Organisations should complete a tax position paper for all transactions where the GST treatment is not straightforward. The position papers should be numbered and filed in a central location. For these position papers to be effective they must include adequate detail of the transactions, be authorised and linked to procedures.

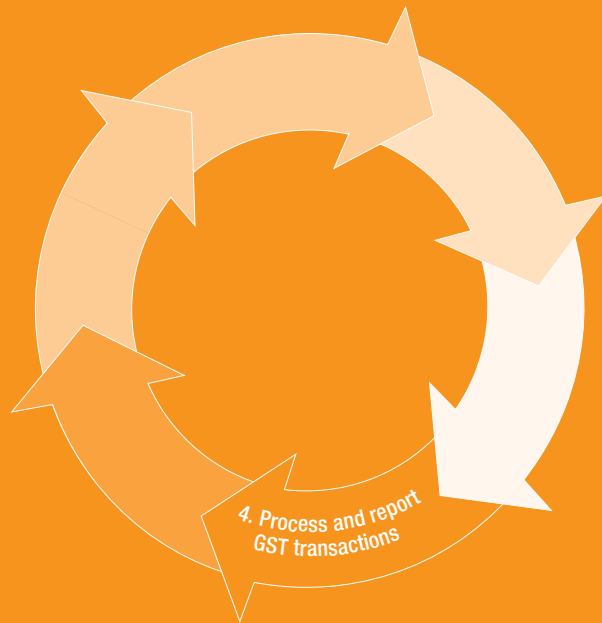
A completed example is provided on the next page.

GST Position paper number	
Version no. Date	
Issue	
GST Position	
Support for position	
Business units/divisions impacted	
Information systems impacted	
Processes impacted	
Personnel impacted	
Decision tool required?	
Communication strategy	
Testing	
Authoriser Date	

## Example

<b>GST Position paper number</b>	<b>43</b>
<b>Version no.</b>	Version 2, September 2002
<b>Date</b>	This document replaces position paper 43, Version 1, April 2002.
<b>Issue</b>	Entry fees to special exhibitions
<b>GST Position</b>	To be treated as GST free where specified criteria are met.
<b>Support for position</b>	Refer Section 38-250 GST Act. Specialist advice from A & B Partner, see letter August 24 2002 and ATO response September 10 2002. GST Private Ruling issued to organisations on the Register
<b>Business units/divisions impacted</b>	Marketing (note also printing material impacts) Finance and Administration
<b>Information systems impacted</b>	SAP V 3
<b>Processes impacted</b>	Marketing, Ticket sales, Accounts Receivable
<b>Personnel impacted</b>	Marketing Manager – Special Exhibitions, Deputy Head of Department, Ticket sales, Accounts Officer
<b>Decision tool required?</b>	Yes – cost and entry fee decision analysis spreadsheet to be completed for each exhibition prior to entry fees being confirmed.
<b>Communication strategy</b>	Posted on intranet in Policy and Procedure, Tax position papers. Revenue Procedure 1.5.3 to be updated to include the requirements. Individual training for personnel.
<b>Testing</b>	GST manager to review spreadsheet prior to entry fees being confirmed for each exhibition.
<b>Authoriser</b>	Jill Brown, GST Manager.
<b>Date</b>	16 September 2002





## Better Practice No 4:



Process and report GST transactions in an accurate, complete and timely manner

# Better Practice No 4:

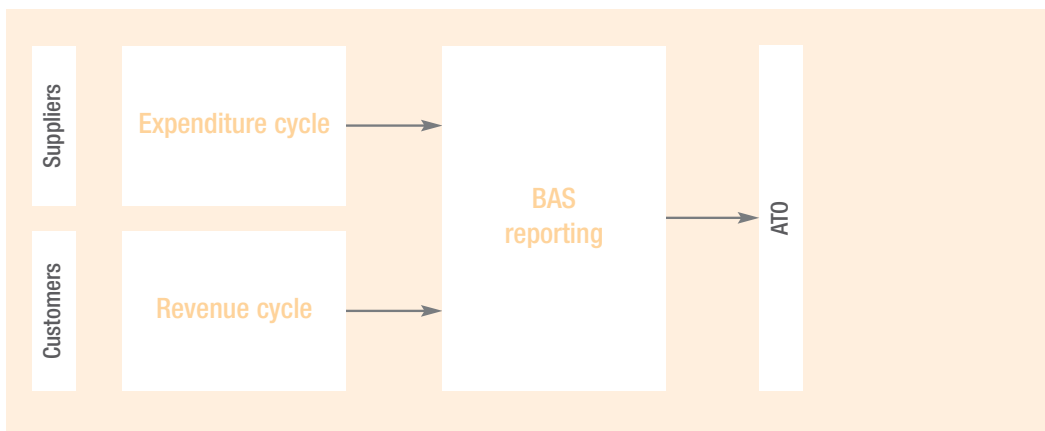
## Process and report GST transactions in an accurate, complete and timely manner



### A. Introduction

Because each organisation's accounting systems and processes are different, there will be differences to the specific controls each organisation needs to implement in order to process GST transactions in an accurate, complete and timely manner. The design of the controls will depend on a number of factors, including the complexity and design of the accounting system, the level of automation and the types of acquisitions and supplies made. However, for all organisations, GST transactions occur in the expenditure, revenue and reporting cycles and certain control requirements need to be met.

**Figure 1: Transactional cycles impacted by GST**





## B. Tools

Organisations may find the following tools useful in implementing this better practice.

	Tool	Purpose
4.1	Very common errors in expenditure cycle GST processing	Checklist for organisations to consider how they prevent and detect typical errors.
4.2	GST procedures and controls in the expenditure cycle	A checklist of GST procedures and controls that organisations may wish to implement.
4.3	GST training for accounts payable staff	A list of practices that may assist in meeting staff training needs.
4.4	Is it a valid Tax Invoice or Adjustment Note?	A tool for checking the validity of tax invoices and adjustment notes.
4.5	Disbursement coding reference card	An example reference card to provide guidance in tax coding.
4.6	Very common errors in revenue cycle GST processing	Checklist for organisations to consider how they prevent and detect typical errors.
4.7	GST procedures and controls in the revenue cycle	A checklist of GST procedures and controls that organisations may wish to implement.
4.8	Revenue cycle coding reference card	An example reference card to provide guidance in tax coding.
4.9	BAS reasonableness tests	Comparing data reported in each BAS label may assist in identifying errors.
4.10	BAS Checklist	To use during BAS preparation to ensure all necessary activities take place.

### Tool 4.1 Very common errors in expenditure cycle GST processing

**Why?** All organisations should find it useful to check/evaluate whether there are controls to *prevent* these very common errors occurring and to *detect* the errors when they do occur.

**When?** Complete once and update periodically.

**How?** Assess the organisation's capacity to prevent and detect these errors. Consider the controls that relate to each one.

Workbook  
tool 4.1

Very common errors in expenditure cycle GST processing	Adequately controlled?
1. Processing non-compliant tax invoices.	
2. Using quotations to enter transactions and record input tax credits.	
3. Employees do not provide an original tax invoice when seeking reimbursement for business expenses.	
4. Tax invoices are not obtained to support purchases on credit card statements when they are required.	
5. Tax invoices are not obtained for periodic or progressive supplies such as rent, especially when these are paid for by bank direct debit.	
6. Invoices containing both taxable and non-taxable acquisitions are entered as either entirely taxable or entirely non-taxable (a problem that frequently arises with credit card statements and telephone accounts).	
7. The amount of GST entered in the information system does not correspond to the GST amount on the tax invoice.	
8. The system-generated GST amount is overridden and the wrong dollar amount is recorded.	
9. Input tax credits are claimed on non-taxable acquisitions such as GST-free international travel expenses or supplies from overseas suppliers who are not registered for GST.	
10. Cab charge tax invoices are incorrectly processed.	
11. Input tax credits are incorrectly claimed on allowances paid to employees.	
12. Claims for input tax credits are overlooked on merchant service fees and other taxable acquisitions paid by direct debit from bank accounts.	
13. Input tax credits are claimed when a security deposit is paid, or only claimed on the net payment due when the deposit is offset against the supply made.	
14. Foreign exchange invoices are processed using an inappropriate exchange rate.	
15. The wrong non-taxable codes are applied to the various types of non-taxable acquisitions (GST-free / input-taxed / "out-of-scope").	

## Tool 4.2 GST procedures and controls in the expenditure cycle

Workbook  
tool 4.2

**Why?** An organisation's GST manager can use this checklist in order to identify possible control gaps. Internal audit functions may also find this checklist useful when conducting reviews or audits of the organisation's GST administration.

**When?** Complete on a periodic basis. Also, use this tool at times of major organisational, system and process change.

**How?** Consider if the normal *control requirements* associated with an organisation's commitments to purchase goods and services are in place. If the suggested controls are not in place, it may be useful to document the different ways in which the organisation ensures the control objectives are met.

Do these procedures and controls exist in your organisation?		Yes/No/N/A?
<b>PURCHASING</b>	<ul style="list-style-type: none"> <li>▶ Pre 1 July 2000 price lists have been replaced with GST compliant price lists.</li> <li>▶ GST requirements are captured in supplier contract documentation. This normally includes a requirement for the supplier to produce a valid tax invoice for payment and a requirement for the invoice to be provided on a timely basis to ensure input tax credits can be claimed at the earliest opportunity.</li> <li>▶ A policy on receiving quotes and processing purchase orders on either a GST inclusive or exclusive basis is documented and communicated to staff and major suppliers.</li> <li>▶ Delegation levels have been defined to approve the GST inclusive value of purchases, if the organisation may not be able to fully claim an input tax credit for the GST component.</li> <li>▶ Procedures are in place to ensure that GST exclusive purchase orders raised are approved GST inclusive if there is a risk that the organisation may not be able to fully claim an input tax credit for the GST component.</li> </ul>	
<b>GRANTS AND SUBSIDIES</b>	<ul style="list-style-type: none"> <li>▶ Grant and subsidy procedures include necessary GST requirements (for example, if a grant is to be treated as taxable, then a tax invoice should be received from the recipient in respect of the grant).</li> <li>▶ GST decisions on grants and subsidies are documented in tax position papers.</li> <li>▶ Properly delegated authorities approve grants/subsidies on a GST inclusive basis.</li> <li>▶ Contract documentation relating to a grant or subsidy includes standard GST clauses.</li> <li>▶ Personnel assessing the GST treatment of grants are trained on the requirements for GST. They have access to GST decision tools.</li> </ul>	

Do these procedures and controls exist in your organisation?		Yes/No/N/A?
<b>SYSTEMS</b>	<ul style="list-style-type: none"> <li>▶ The system does not allow processing of transactions without a valid tax code.</li> <li>▶ Only relevant tax codes are activated for accounts payable processing.</li> <li>▶ The accounts payable system calculates GST automatically at 1/11<sup>th</sup> when taxable codes are used.</li> <li>▶ The system coding framework provides the basis for BAS disclosure requirements.</li> <li>▶ The GST hierarchy has been activated and the system displays a warning if taxable codes are assigned to non-taxable suppliers.</li> <li>▶ There is cross validation of GST amounts to line, invoice and batch totals and to tax codes entered.</li> <li>▶ If the automatically generated GST amount can be overridden (to enable a mixed-supply invoice to be entered as a single transaction), the system should display an appropriate warning to the processor.</li> <li>▶ The design of system BAS reporting ensures that input tax credits are only claimed when details of a tax invoice have been entered.</li> <li>▶ Wherever possible, system controls are the principal control mechanism.</li> <li>▶ Authorised suppliers are defined in the accounts payable system to ensure that non-authorised suppliers are not contracted. Setting these suppliers up within the system includes the entering of a valid ABN.</li> <li>▶ The accounts payable system is capable of recording PAYG withholding tax where the supplier is not ABN registered.</li> </ul>	
<b>CASH AND CREDIT CARDS</b>	<ul style="list-style-type: none"> <li>▶ Staff authorised to use credit cards are aware of the requirements to obtain tax invoices or if an approved corporate card provider is used, procedures are in place in accordance with ATO ruling GSTR 2000/26<sup>2</sup>.</li> <li>▶ Petty cash vouchers include a requirement for GST information.</li> <li>▶ Petty cash custodians and authorisers are trained on the requirements for GST including invoices and correct accounting codes.</li> <li>▶ Petty cash claimants are aware that a tax invoice is necessary for all supplies over \$55 (GST inclusive) and procedures are in place to reimburse only when a tax invoice is provided or amounts under \$55 are substantiated.</li> <li>▶ Manual payments are recorded in the relevant period for BAS purposes. Normal month end procedures may include reviewing manual payments to check they have been updated in the system prior to BAS completion.</li> <li>▶ Manual payment processes include documentation of the GST treatment of the transaction for accurate recording in the financial system, as well as ensuring supporting documentation (usually a valid tax invoice) is complete.</li> <li>▶ Staff always provide a valid tax invoice, to enable the organisation to claim input tax credits in relation to any expense reimbursements.</li> <li>▶ Procedures are in place to ensure input tax credits from purchases made by credit card cannot be claimed twice. Reconciliation processes as well as system controls can be useful.</li> </ul>	

<sup>2</sup> Goods and Services Tax Ruling GSTR 2000/26 – “Corporate card statements – entitlement to an input tax credit without a tax invoice”. This ruling is current as at the date of this document.

Do these procedures and controls exist in your organisation?		Yes/No/N/A?
PROCESSING TAX INVOICES	<ul style="list-style-type: none"> <li>▶ Procedures include a checklist for tax invoice requirements (see Tool 4.4).</li> <li>▶ When invalid tax invoices are received, there are procedures to request a correct tax invoice and to monitor future invoices received from this supplier.</li> <li>▶ Tax invoices (electronic or paper) are stored in a secure location for future reference or auditing purposes.</li> <li>▶ Checks occur to ensure that all accounts paid include the processing of a valid tax invoice.</li> <li>▶ Where payments are made in the absence of a valid tax invoice, a special <i>Register of payments without a tax invoice</i> is maintained to track unclaimed input tax credits. This register is updated on a monthly basis and appropriate officers are advised of the status of tax invoices not received.</li> <li>▶ The taxable and non-taxable components of a mixed supply are entered separately.</li> <li>▶ There is a procedure for translating foreign exchange invoices and a standard template to be used in processing.</li> </ul>	
CONTRACTORS	<ul style="list-style-type: none"> <li>▶ The GST status of all contractors is clearly determined and normal tax invoice requirements apply so that input tax credits can be claimed where the contractor is registered.</li> <li>▶ If contractors do not supply a valid ABN, there are procedures that require PAYG withholding.</li> </ul>	
CHECKING	<ul style="list-style-type: none"> <li>▶ Authorisation of payment runs includes reasonableness checks for GST purposes. Any certification of the correctness of the transaction should include a reasonableness check of GST coding and that a valid tax invoice is held. These may have been issued in advance e.g. rent payments.</li> </ul>	
ADJUSTMENTS	<ul style="list-style-type: none"> <li>▶ Documented procedures are in place for processing discounts and the return of goods including consideration of GST impacts.</li> <li>▶ Documented procedures are in place on the treatment for recording adjustments and attributing them to the correct period.</li> <li>▶ Adjustment notes are retained in a secure location for future reference or for auditing purposes.</li> <li>▶ Procedures are in place to ensure that trade and other discounts on taxable supplies are treated correctly for GST purposes because some trade rebates may not be treated as adjustments for GST purposes but rather consideration for a separate supply. Accordingly it is necessary to clearly classify all the different types of discounts and rebates and ensure that the documentation accords with the treatment.</li> </ul>	

**Workbook  
tool 4.3**

### Tool 4.3 GST training for accounts payable staff

- Why?** The accounts payable department often takes responsibility for the accuracy of GST processing. Training is a useful tool to prevent manual/human error.
- When?** Complete and update on a periodic basis. Also, use this tool at times of major organisational, system and process change.
- How?** Consider whether the organisation's employees have received training in these subjects. Use gap analysis to design additional training programs.

Has training covered the following areas?	Yes/No
How to identify a valid tax invoice, including how to identify a valid tax invoice when the tax invoice contains both taxable and non-taxable supplies. <sup>3</sup>	
A specific instruction as to what action to take when no tax invoice is received from a supplier or a tax invoice received is invalid. <sup>4</sup>	
What to do in situations where the system generated GST amount is different to the GST amount specified on the tax invoice.	
Procedures for processing tax invoices containing both taxable and non-taxable supplies.	
Requesting valid tax invoices prior to payment. This will help ensure valid tax invoices support all claims for input tax credits.	
The use of the non-taxable tax codes activated in the accounts payable system to ensure that GST-free, input-taxed, and "out-of-scope" acquisitions are correctly coded.	
Dealing with tax invoices where an adjustment event has occurred – for example, goods have been returned or the incorrect price was charged.	
Reimbursing employee expenses and/or paying employee allowances.	
Purchasing staff have been trained in GST issues and requirements.	
Providing GST training to payroll staff and ensuring that there are documented procedures that detail the impact on processing.	
Processing credit card statements and the requirements to hold a valid tax invoice. <sup>5</sup>	
Processing of Cab charge statements	
Recording adjustments and reconciling adjustments for the BAS.	

<sup>3</sup> This training should include examples of the types of suppliers who might make both taxable and non-taxable supplies.

<sup>4</sup> These procedures should include identification of the person responsible for contacting the supplier for a replacement tax invoice, a standard letter to specify why the tax invoice is invalid, and a policy for dealing with suppliers who regularly do not provide valid tax invoices.

<sup>5</sup> Refer GST Ruling GSTR 2000/26 "Corporate card statements – entitlement to an input tax credit without a tax invoice". This ruling is current as at the date of this document.

## Tool 4.4: Is it a valid Tax Invoice or Adjustment Note?

**Why?** Processing invalid tax invoices and adjustment notes is a very common error.

**When?** Use this tool for checking all tax invoices and adjustment notes prior to processing.

**How?** Reproduce this tool in a laminated format and place at processors' desks. Use this tool to train processors in requirements. The notes overleaf can be reproduced on the back of the card.

### Figure 2: Tax invoice information

To be a valid tax invoice, the invoice needs to include the following information:	
The words "tax invoice"	
The date of issue	
Name of the supplier	
The supplier's ABN	Note 1
The name of the recipient (correct legal name or trading name)	*
Either the address or the ABN of the recipient	*
A brief description of each thing supplied	
For each description: the quantity of goods or extent of services supplied	*
The GST inclusive price of the supply	
Where the invoice contains taxable supplies only:	Note 2
a) a statement that the total amount payable includes GST, or	
b) the total amount of GST must be stated.	
Where the invoice contains some taxable and some non-taxable supplies:	
– each taxable supply must be identified, and	
– the total amount of GST payable must be stated, and	
– the total amount payable must be stated.	
If the amount payable in the invoice is in foreign currency, the invoice must show the GST payable in Australian dollars or provide sufficient information to calculate that amount	Note 3
* These items are not required if the total amount of the invoice (including GST) is less than \$1,000	
<b>A valid tax invoice is not required if the GST inclusive amount of the supply is \$55.00 or less.</b>	
To be a valid Adjustment Note, it needs to include the following information:	
The words "Adjustment Note" (can also include words "credit" or "debit")	Note 4
The date of issue	
Name of the supplier	
The supplier's ABN	Note 1
The name of the recipient (correct legal name or trading name)	*
Either the address or the ABN of the recipient	*
The difference between the pre-adjustment price of the supply or the supplies and the new price (GST inclusive)	Note 5
A brief explanation for the reason for the adjustment	Note 6
Where the invoice contains taxable supplies only:	Note 2
– the amount of the adjustment to the GST payable, or	
– a statement to the effect that the difference in the price includes GST.	
Where the invoice contains some taxable and some non-taxable supplies:	
1. The amount of the adjustment to the GST payable, and	
2. The difference between the GST inclusive price and the new GST inclusive price.	
Where the amount payable on the Adjustment Note is in a foreign currency, the adjustment note must show the adjustment to the GST amount in Australian dollars or provide sufficient information to calculate that amount.	Note 3
* These items are not required if the total amount on the original tax invoice being adjusted is less than \$1,000 (including GST)	
<b>There is no requirement to issue an adjustment note if the amount of the adjustment is \$50 or less.</b>	
<b>It is irrelevant what the value of the original supply may have been.</b>	
A document that is both a tax invoice and an adjustment note must meet the requirements set out for <b>both</b> types of documents (but see Note 4)	

## Notes

- 1) An ABN will be either a 11 or 14 digit number (14 if the entity is registered as a GST branch).
- 2) In very limited circumstances (such as the supply of long term accommodation or insurance premiums), the supply may be fully taxable but the GST payable may be less than 1/11th of the total. In such a case, the tax invoice must show:
  - ▶ the amount payable, excluding GST; and
  - ▶ the amount of GST payable.

If an adjustment note is issued for such a supply, the adjustment note must show:

- a) the amount of the adjustment to the GST payable; and
  - b) the difference between the GST exclusive price of the supply or supplies before the adjustment, and the new GST exclusive price.
- 3) The requirement to provide sufficient information to calculate the amount in Australian dollars may be met by providing the conversion rate used by the supplier or the source of the rate used by the supplier.
  - 4) An adjustment can be included on a tax invoice and need not show the words "Adjustment Note" so long as the adjustment to the price is shown as a negative or credit amount to the recipient.
  - 5) If only part of a tax invoice is being adjusted, some suppliers will reverse the full amount of the original tax invoice using an adjustment note, and then issue a completely new tax invoice for the correct amount. These two documents will be treated as an adjustment note if they are cross-referenced and together they satisfy the adjustment note requirements.
  - 6) The reason for the adjustment needs to state more than "adjustment" – for example "discount given", "refund", or "goods returned".



## Tool 4.5 Disbursement coding reference card

Workbook  
tool 4.5

**Why?** GST coding errors are very common. Using a reference card provides processors with examples and this may assist in preventing errors.

**When?** On an ongoing basis. The card will probably need to be periodically updated.

**How?** Adapt this reference card for the organisation's business activities and GST coding structure. This example coding reference card was provided to employees at one Commonwealth organisation. The card was laminated and placed prominently at each processor's desk.

Tax code	Tax code description	Examples
<b>Asset purchases only</b>		
C1	10% GST – creditable acquisition (asset)	<ul style="list-style-type: none"> <li>▶ Office furniture</li> <li>▶ IT hardware</li> <li>▶ Taxable asset purchases not listed in C2 or C3</li> </ul>
C2	0% GST in price (asset)	<ul style="list-style-type: none"> <li>▶ Acquisition of asset from non-registered supplier</li> </ul> <p><b>This tax code will only be used in rare circumstances!</b> CONSULT GST MANAGER BEFORE USING.</p>
C3	10% GST – relates to making input taxed supply (asset)	<ul style="list-style-type: none"> <li>▶ Some asset purchases in relation to the supply of residential housing.</li> </ul> <p><b>This tax code will only be used in rare circumstances!</b> Input tax credit will not be claimed from ATO. CONSULT GST MANAGER BEFORE USING.</p>
<b>Purchasing (non-asset), accounts payable</b>		
P1	10% GST creditable acquisition (non-asset)	<ul style="list-style-type: none"> <li>▶ Taxable (non asset purchases <b>not</b> listed in P2 to P5)</li> </ul>
P2	0% GST in price (non asset) <i>Refer also P5 – out-of-scope</i>	<ul style="list-style-type: none"> <li>▶ Supplies under a contract included in the GST free contracts database.</li> <li>▶ Most food</li> <li>▶ Sewerage and water bills</li> <li>▶ GST free education and health services</li> <li>▶ Interest charged on credit card statements</li> <li>▶ Interest charged on loans received</li> <li>▶ Cab charge service fee.</li> <li>▶ Supplier not GST registered.</li> </ul>
P3	10% GST – relates to making input-taxed supply (non-asset)	<ul style="list-style-type: none"> <li>▶ Some maintenance expenses eg leased residential houses</li> </ul> <p>▶ Input tax credit will not be claimed from ATO CONSULT GST MANAGER BEFORE USING.</p>
P4	10% GST – non income tax deductible (non asset)	<ul style="list-style-type: none"> <li>▶ Non income tax deductible entertainment</li> </ul> <p>Input tax credit will not be claimed from ATO</p>

Tax code	Tax code description	Examples
<b>Purchasing (non-asset), accounts payable</b>		
P5	0% GST – Out-of-scope of GST	<ul style="list-style-type: none"> <li>▶ Security deposits (until applied as payment or forfeited)</li> <li>▶ Salaries and wages and other payments to employees including TA (excluding reimbursements)</li> <li>▶ Internal agency transactions</li> <li>▶ Depreciation, capital use charge</li> <li>▶ Section 81 exempt taxes, fees and charges</li> </ul>

**Workbook  
tool 4.6**

### Tool 4.6 Very common errors in revenue cycle GST processing

**Why?** All organisations should find it useful to check/evaluate whether there are controls to *prevent* these very common errors occurring and to *detect* the errors when they do occur.

**When?** Complete once and update periodically.

**How?** Assess the organisation's capacity to prevent and detect these errors. Consider the controls that relate to each one.

Very common errors in revenue cycle GST processing	Adequately controlled?
1. Complex contractual situations are not analysed to ensure that the correct documentation is issued or received.	
2. Supplies are automatically treated as GST-free where the billing address is overseas.	
3. On-charges or re-charges of expenses (particularly on-charges of labour costs) are treated as non-taxable supplies.	
4. Fixed asset sales, and especially sales of assets to employees and trade-ins, are treated as non-taxable supplies.	
5. Non-compliant tax invoices are issued, for example invoices in foreign currency do not comply with GST Ruling GSTR 2001/2 on foreign exchange conversions. <sup>6</sup>	
6. Adjustment notes are invalid because they do not show the reason for the adjustment.	
7. "Rogue" (unofficial and unapproved) tax invoices and adjustment notes are issued. Duplicate tax invoices are issued without being identified as such.	
8. Documents are issued to customers that could be used by them to claim non-existent input tax credits.	
9. Documents combining both a recipient created tax invoice and a tax invoice are processed incorrectly.	

<sup>6</sup> This ruling is current as at the date of this document.

## 4.7 GST procedures and controls in the revenue cycle

Workbook  
tool 4.7

**Why?** An organisation's GST manager can use this checklist in order to identify possible control gaps. Internal audit functions may also find this checklist useful when conducting reviews or audits of the organisation's GST administration.

**When?** Complete on a periodic basis. Also, use this tool at times of major organisational, system and process change.

**How?** Consider if the normal *control requirements* associated with an organisation's revenue raising activities are in place. If the suggested controls are not in place, it may be useful to document the different ways in which the organisation ensures the control objectives are met.

Do these procedures and controls exist in your organisation?		Yes/No/N/A?
<b>APPLYING GST</b>	<ul style="list-style-type: none"> <li>▶ Assessment of all supplies made and documented GST treatment. This should include treatments of appropriations.</li> <li>▶ Documented procedures to ensure revision or introduction of new fees and charges is assessed for GST treatment.</li> <li>▶ Policies are in place and communicated to staff on regularly reviewing GST treatments.</li> <li>▶ Staff have been trained on identifying taxable supplies and applying GST treatments.</li> <li>▶ Policies on grants, appropriations and Division 81 determinations have been documented and communicated to all staff.</li> </ul>	
<b>SYSTEMS</b>	<ul style="list-style-type: none"> <li>▶ Supplies are classified or coded as taxable, exports, other GST free supplies, input taxed or out-of-scope.</li> <li>▶ System calculation of GST payable by the customer.</li> <li>▶ Default coding is applied at the product master file or default coding is applied at the customer master file thus reducing the need for decision making at the time of processing.</li> <li>▶ A procedure has been developed to determine and amend tax codes assigned to master files, and restrict access rights to authorised staff only.</li> <li>▶ All information required for a valid tax invoice or adjustment note as mandatory fields in the system templates has been set up.</li> </ul>	

Do these procedures and controls exist in your organisation?		Yes/No/N/A?
<b>ISSUING INVOICES</b>	<ul style="list-style-type: none"> <li>▶ Staff gather all information that is to be required in tax invoices (e.g. recipient's name and address or ABN).</li> <li>▶ Valid tax invoices should be produced as a standard practice for all taxable supplies, without being requested by the recipient and should be issued within 28 days of request.</li> <li>▶ Compliant tax invoices are issued for taxable supplies.</li> <li>▶ Staff are able to accurately categorise the type of supply and accord the appropriate GST treatment.</li> <li>▶ Staff check system produced invoices for reasonableness of GST amount stated.</li> </ul>	
<b>RECEIPTING</b>	<ul style="list-style-type: none"> <li>▶ Processes are in place to record the GST components of all Electronic Funds Transfer (EFT) receipts</li> <li>▶ Manual receipts also document the GST treatment of the transaction for accurate recording in the financial system.</li> <li>▶ GST compliant documentation is issued for manual receipts.</li> <li>▶ Manual receipts are recorded in the relevant period for BAS purposes.</li> </ul>	
<b>ADJUSTMENTS</b>	<ul style="list-style-type: none"> <li>▶ Valid adjustment notes are issued, including showing the reason for the adjustment.</li> <li>▶ Staff have been trained in recording adjustments and understand that the claim can only be made when the adjustment note is held.</li> <li>▶ Adjustment notes (electronic or paper) are retained in a secure location for future reference or for auditing purposes.</li> <li>▶ Procedures are in place to ensure that trade and other discounts on taxable supplies are treated correctly for GST purposes. Not all trade rebates supplies will give rise to an adjustment event but could constitute consideration given for a supply by the customer. It is therefore necessary to ensure that all trade discounts and rebates are correctly classified for GST purposes.</li> <li>▶ Bad debt processing includes an appropriate GST adjustment.</li> </ul>	

## Tool 4.8 Revenue cycle coding reference card

Workbook  
tool 4.8

**Why?** GST coding errors are very common. Using a reference card provides processors with examples and this may assist in preventing errors.

**When?** On an ongoing basis. The card will probably need to be periodically updated.

**How?** Adapt this reference card for the organisation's business activities and GST coding structure. This example coding reference card was provided to employees at one Commonwealth organisation. The card was laminated and placed prominently at each processor's desk.

Tax code	Tax code description	Examples
<i>Accounts receivable</i>		
S1	10% GST – taxable supply	<ul style="list-style-type: none"> <li>▶ Subscriptions, publications and videos</li> <li>▶ Taxable training courses</li> <li>▶ Lease of equipment</li> <li>▶ Sales of second hand computers</li> <li>▶ Taxable supplies not listed below.</li> </ul>
S2	0% GST GST-free supply	<ul style="list-style-type: none"> <li>▶ Supplies under a contract signed or in existence prior to 8 July 1999 and deemed to be GST free (until the earlier of 1 July 2005 or a review opportunity occurs.)</li> </ul>
S3	0% GST input taxed supply	<ul style="list-style-type: none"> <li>▶ Sale of residential staff house</li> <li>▶ Interest income</li> <li>▶ Interest charged on overdue recoveries</li> </ul>
S4	0% GST – export	<ul style="list-style-type: none"> <li>▶ Trade publications sold to overseas customers</li> </ul>
S5	0% GST out-of-scope. No GST applies	<ul style="list-style-type: none"> <li>▶ Internal agency transactions</li> <li>▶ Items specifically covered by appropriation under Australian law.</li> </ul>

Workbook  
tool 4.9

## Tool 4.9 BAS Reasonableness tests

**Why?** Comparing BAS data by BAS label categories with prior periods may assist in identifying errors.

**When?** Whenever the BAS is prepared.

**How?** Select the most important BAS labels, compare dollar amounts reported by month and analyse significant variances. All variances should be explainable.

Category	Definition	Month 1	Month 2	Variation	Comment	Reasonable Yes / No	Further Action required
G1	Total Assets						
G2	Export sales						
G3	Other GST free sales						
G10	Capital purchases						
G11	Non-Capital purchases						
1A	GST on sales						
1B	GST on purchases						

## Tool 4.10 BAS Checklist

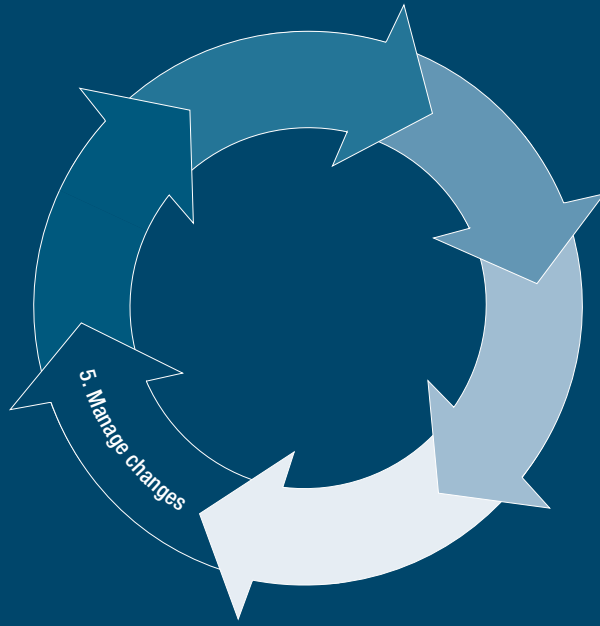
Workbook  
tool 4.10

**Why?** Better practice organisations ensure that BAS preparation includes a number of reconciliation and review activities, as well as independent authorisation. Using a checklist helps ensure these activities take place.

**When?** Whenever the BAS is completed.

**How?** Adapt this checklist for the organisation's operational and system requirements. Then complete the detail for each BAS. A copy of the completed checklist should be filed with the BAS working papers.

Reporting period:		
Task	Responsible	Initial
All invoices entered		
Standard journals complete		
Run BAS reporting, trial balance reports		
Reconcile		
Exception reporting		
Complete BAS calculations worksheet		
Detail adjustments from system reporting in excel workbook		
FBT calculations		
PAYG calculations		
Complete BAS screen		
Lodge with ATO		
Adjustment journals		
File all documentation		
Payment or refund reconciled to BAS and processed appropriately		
Prepared by:	/ /03	
Authorised by:	/ /03	



## Better Practice No 5:



Manage changes that impact on GST administration



# Better Practice No 5:

## Manage changes that impact on GST administration



### A. Introduction

Many different types of changes have an impact on GST administration. These changes present risks an organisation needs to manage. In this context, change includes:

- ▶ responding to legislative change, case law and ATO Ruling activity – including, for example, the issue of new Public Rulings as well as the expiry of existing private rulings;
- ▶ changes in the organisation’s activities and structure – for example, entering into new transactions, changes to systems and changes to personnel; and
- ▶ managing the organisation’s relationship with the ATO over time.

### B. Tools

Organisations may find the following tools useful in implementing this better practice.

	Tool	Purpose
5.1	GST issues register	Listing all issues in a single register makes them easier to manage and review, thus helping ensure that they are resolved.
5.2	Contracts and Grants GST register	To be used by staff when processing transactions related to these contracts or grants, as well as by the GST manager to ensure GST treatments are up to date and complete.

## Tool 5.1 GST issues register

Workbook  
tool 5.1

**Why?** If GST issues are detailed in a single register it makes it easier for the GST manager, CFO and senior management to check that all outstanding issues are resolved on a timely basis.

**When?** Complete and update on an ongoing basis. Also, use this tool at times of major organisational, system and process change.

**How?** Record and describe GST issues.

Issue No.	Description	Date	Business Unit	Action	Responsibility	Date to be closed	Date closed	Resolution	Authorisation
32	Hiring of Austrade office space in Frankfurt GST status	24/4/02	Marketing special projects	Call ATO and request advice	GST Manager	30/5/02	12/5/02	GST free, refer position paper CDX 4	TC inputs
33	Retail space rental agreement – has review opportunity arisen?	30/5/02	Finance and Administration	new contact – use standard GST clause	GST Manager	15/6/02			
34	Consultancy agreement with panel member – no written agreement. GST status and processing may have been incorrect.	15/6/02	Formalise agreement	HR Manager to discuss with panel member	HR Manager may not need to discuss with panel member			GDT applies	

**Workbook  
tool 5.2**

## Tool 5.2 Contracts and grants GST register

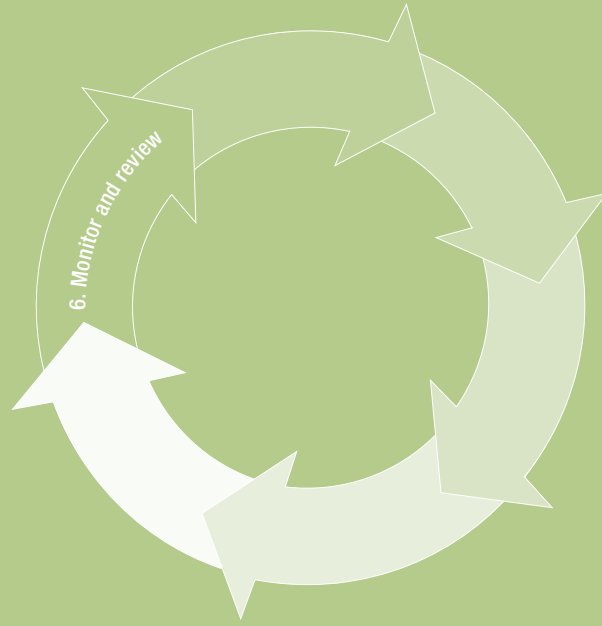
**Why?** Different contracts and grants attract different GST treatments and these will often vary over time. This tool provides a central repository of contract data. It helps in managing changes as well as providing a reference tool for staff.

**When?** Complete and update on a continual basis.

**How?** Record all contracts. Use a database to make the details easily available to processing staff.

Responsible person	Contract with	Contract number	Contract title	Contract term	Payment details	GST clause	Review opportunity	GST status	Reason for GST status	Notes
Ernie Sullivan	DasFleet	28/03/1901	Vehicle leasing and fleet management	N/A	Monthly lease fees	Yes	N/A	Taxable		
Jock Osborne	IMA Landlord	31/07/1900	Retail space lease	1/7/01 to 30/6/08	Monthly	Yes	N/A	Taxable		
Emma Jones	ABC Holdings LTD	19/03/1901	Office lease	5 Dec 1997 1 Jan 1998 to 31 Dec 2003, plus right of renewal	Monthly rental	No	No	GST free	Grandfathered	





## Better Practice No 6:



Monitor and review the effectiveness  
of GST administration

# Better Practice No 6:

## Monitor and review the effectiveness of GST administration



### A. Introduction

Better practice organisations use formal review mechanisms to continually improve the effectiveness of their GST administration. Reviewing GST processing and outputs means that identified errors can be addressed and the organisation has a level of assurance that compliance standards are being met. It should also assist an organisation in identifying better ways of processing GST.

### B. Tools

Organisations may find the following tools useful in implementing this better practice.

	Tool	Purpose
6.1	GST Error log	Recording errors in a central log helps ensure that they can be easily reviewed and addressed.
6.2	GST Test program	A framework for conducting a GST test program.
6.3	GST Testing program results	A formal framework for recording GST test results.

## Tool 6.1: GST error log

Workbook  
tool 6.1

**Why?** Formally recording GST errors helps ensure that they are analysed and addressed.

**When?** Complete and update on an ongoing basis.

**How?** Record all errors noted during routine processing and formal testing.

GST ERROR LOG							
Division / Business unit			Finance and Administration				
Period covered			1 Jan 2002 – 31 Dec 2002				
System / process			Accounts Receivable				
Error Number	Description	Date	Comment on root cause	Recorded by	Reviewed by	Date	Action taken
1	Adjustment note issued to customer not valid. Customer complained.	31/03/2002	Reason for adjustment not specified.	AR staff member	GST Manager	3/04/2002	Adjustment note reissued and issue discussed with all AR staff.
2							
3							

## Tool 6.2 GST test program

**Why?** Testing some transactions for the GST treatments provides a level of confidence that processes and controls operate as management intends them to.

**When?** Complete and update on a monthly basis. Also, use this tool at times of major organisational, system and process change.

**How?** Record details of the test program.

Test No	Description	Purpose	Frequency	Number of transactions to be tested	Testing to be performed by	Results to be reviewed by
1	Test 10 highest value transactions processed through accounts payable system to determine: a) Whether amount of input tax credit claimed is correct; b) Whether tax coding is correct; and c) Whether attributed to correct tax period.	Ascertain whether input tax credits correctly claimed	Monthly	10 highest value payments processed through accounts payable per month	Financial Accountant	GST Manager
2						
3						
4						
5						



## Tool 6.3 GST Testing Program Results

Workbook  
tool 6.3

**Why?** Formally recording GST test program results helps provide information needed to decide if further testing should be undertaken.

**When?** Complete and update when tests are completed.

**How?** Complete data below.

**Test No:** 1  
**Description of test:** Test high value transactions through accounts payable  
**Frequency of test:** Monthly  
**Number of transactions to be tested:** 10 highest value payments processed through accounts payable per month

Date	Testing performed by	No of transactions tested	Results	WP ref	Testing reviewed by	Assessments/ comments	Follow up action required
23-Apr 2002	Fin Acct	10	2 failures – one invalid tax invoice; no tax invoice held for other	Test sheet 1	GST Manager		To be discussed with AP processor concerned
20-May 2002	Fin Acct	10	No failures	Test sheet 11	GST Manager		

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