

# ***GSTR 2001/7A - Addendum - Goods and services tax: meaning of annual turnover, including the effect of section 188-25 on projected annual turnover***

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There is an [Erratum notice](#) for this document.

! This addendum incorporates amendments made by [GSTR 2001/7ER](#) which was issued on the 27 February 2008

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## Addendum

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### Goods and Services Tax Ruling

#### Goods and services tax: meaning of annual turnover, including the effect of section 188-25 on projected annual turnover

This Addendum amends Goods and Services Tax Ruling GSTR 2001/7 in a number of respects.

The Addendum amends GSTR 2001/7 to reflect amendments that were made to the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) by the *Tax Laws Amendment (Small Business) Act 2007*. This Act standardises the eligibility criteria for small business tax concessions from 1 July 2007 and increases the cash accounting turnover threshold for GST.

Secondly, the Addendum amends GSTR 2001/7 to reflect amendments made to the GST Act by the *Tax Laws Amendment (2005 Measures No. 1) Act 2005*. In particular, it reflects amendments to subsections 188-15(3) and 188-20(3), which set out supplies that are disregarded in working out current GST turnover and projected GST turnover respectively. The amendments were made as part of amendments concerning supplies of rights or options offshore and apply to supplies made on or after 1 October 2005. (The transitional measure mentioned in footnote 10C (see Addendum item 8) applies from 29 June 2005.)

Finally, the Addendum also amends GSTR 2001/7 to:

- update the GST registration turnover thresholds in accordance with the *A New Tax System (Goods and Services Tax) Amendment Regulations 2007* (No. 2) which amend the *A New Tax System (Goods and Services Tax) Regulations 1999*. The updated threshold amounts apply from 1 July 2007;
- insert references to 'small enterprise turnover threshold' to reflect changes to the GST Act by the *Tax Laws Amendment (Simplified GST Accounting) Act 2007*;
- update the date of effect clause;
- update ruling references; and
- update the references section of GSTR 2001/7.

# GSTR 2001/7

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## GSTR 2001/7 is amended as follows:

### 1. Paragraphs 6, 9, 10, 16, 18, 19, 49 and 51

Omit 'an annual turnover' (wherever occurring); substitute 'a GST turnover'.

### 2. Global change

Omit 'annual turnover' (wherever else occurring); substitute 'GST turnover'.

### 3. Paragraph 2

Omit the paragraph; substitute:

2. This Ruling does not deal with:
  - (a) the application of sections 188-22, 188-23, 188-24 or 188-40 to the calculation of current GST turnover or projected GST turnover;
  - (b) the value of a supply as affected by sections 188-32 or 188-35;<sup>2</sup>
  - (c) the meaning of 'connected with Australia';<sup>3</sup> and
  - (d) how to calculate your 'aggregated turnover' or 'annual turnover' as defined in sections 328-115 and 328-120 of the *Income Tax Assessment Act 1997* (ITAA 1997).<sup>3A</sup>

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<sup>2</sup> For the basic rules on the value of taxable supplies, see Subdivision 9-C.

<sup>3</sup> Our view of when a supply of goods, real property, or things other than goods or real property is connected with Australia under section 9-25 can be found in Goods and Services Tax Ruling GSTR 2000/31.

<sup>3A</sup> If you carry on a business, 'aggregated turnover' and 'annual turnover' are relevant to determining if you are a 'small business entity' (refer section 328-110 of the ITAA 1997). Small business entities may be eligible to use the GST concessions in subparagraphs 7(c), (f), (g) and (h) of this Ruling, but such entities do not calculate GST turnover to determine their eligibility. Eligibility to these concessions for small business entities is determined under subsections 29-40(1), 162-5(1) and 131-5(1) and section 123-7, respectively.

**4. Paragraph 5**

Omit the paragraph; substitute:

5. This Ruling explains the Commissioner's view of the law as it applies both before and after its date of issue. You can rely upon this Ruling on and from its date of issue (30 April 2003) for the purposes of section 105-60 of Schedule 1 to the *Taxation Administration Act 1953* (TAA). Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and the Commissioner's view of when you can rely on this interpretation of the law in GST public and private rulings.

5A. Changes made to this Ruling by an Addendum that issued on 20 February 2008 have been incorporated into this version of the Ruling.<sup>3B</sup> You can rely on the changes made to the Ruling by the Addendum for the purposes of section 105-60 of Schedule 1 to the TAA from the date of issue of the relevant Addendum. If the Addendum conflicts with a previous private ruling that you have obtained or a previous public ruling, the Addendum prevails.

5B. If you have relied on a previous ruling (including the public ruling that the Addendum amends), you are protected in respect of what you have done up to the date of issue of the relevant Addendum or, if there is a change to the legislation, you are protected in respect of what you have done up to the date the legislative change takes effect. This means that if you have relied on the previous ruling and have underpaid an amount of GST, you are not liable for the shortfall prior to either the issue date of the relevant Addendum or the date the legislative change takes effect, as appropriate. Similarly, if you have relied on the previous ruling you are not liable to repay an amount overpaid by the Commissioner as a refund.

**5. Paragraph 7**

Omit the paragraph; substitute:

7. If you carry on an enterprise but do not carry on a business for GST purposes the turnover thresholds are relevant to whether you:<sup>4</sup>

- (a) are required to register for GST;
- (b) must use tax periods which are monthly;
- (c) can elect to account on a cash basis;
- (d) must lodge GST returns electronically;
- (e) must pay net amounts of GST electronically;

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<sup>3B</sup> Refer to the Addendum to see how the Addendum amends this Ruling.

<sup>4</sup> Refer to section 188-5.

- (f) can elect to pay GST by instalments;
- (g) can elect to make an annual apportionment of creditable purpose; or
- (h) can use a simplified GST accounting method determined by the Commissioner under section 123-5.

If your GST turnover meets the relevant turnover threshold, the GST Act may impose obligations on you. If, for example, your GST turnover meets the registration turnover threshold you are required to be registered and consequently, you must apply to be registered under the Act.<sup>5</sup>

7A. However, if you carry on a business your GST turnover is relevant for subparagraphs 7(a), (b) (d) and (e) of this Ruling, but is not relevant for subparagraphs 7(c), (f), (g) and (h) of this Ruling. Whether you can access the concessions in subparagraphs 7(c), (f), (g) and (h) depends on whether you are a 'small business entity'<sup>5A</sup> (other than because of subsection 328-110(4) of the ITAA 1997). That is, for the concessions in subparagraphs 7(c), (f), (g) and (h) it is the turnover calculation for the small business entity test that is relevant.<sup>5B</sup>

## 6. Paragraph 8

Omit the paragraph; substitute:

- 8. The thresholds for GST turnover are as follows:
  - (a) the registration turnover threshold – \$75,000 (or \$150,000 for a non-profit body);<sup>6</sup>
  - (b) the tax period turnover threshold – \$20,000,000;<sup>7</sup>
  - (c) the cash accounting turnover threshold – \$2,000,000;<sup>8</sup>
  - (d) the electronic lodgement turnover threshold – \$20,000,000;<sup>9</sup>

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<sup>5</sup> Sections 23-5 and 25-1.

<sup>5A</sup> As defined in section 328-110 of the ITAA 1997.

<sup>5B</sup> See paragraph 29-40(1)(a) (accounting on a cash basis), subparagraph 162-5(1)(a)(i) (payment of GST by instalments); subparagraph 131-5(1)(a)(i) (annual apportionment of creditable purpose); and paragraph 123-7(1)(a) (using simplified accounting methods). This Ruling does not deal with the turnover calculation for the small business entity test.

<sup>6</sup> Section 23-15.

<sup>7</sup> Subsection 27-15(3).

<sup>8</sup> Subsection 29-40(3).

<sup>9</sup> Subsection 31-25(4).

- (e) the instalment turnover threshold – \$2,000,000;<sup>10</sup>
- (f) the annual apportionment turnover threshold – \$2,000,000;<sup>10A</sup> and
- (g) the small enterprise turnover threshold – \$2,000,000.<sup>10B</sup>

## 7. Paragraph 10

Omit the paragraph; substitute:

10. In calculating the cash accounting, instalment, annual apportionment and small enterprise turnover thresholds, you have a GST turnover that does not exceed that particular turnover threshold under subsection 188-10(2) when:

- (a) your current GST turnover is at or below the turnover threshold, and the Commissioner is not satisfied that your projected GST turnover is above the turnover threshold; or
- (b) your projected GST turnover is at or below the turnover threshold.

## 8. Paragraph 14

Omit:

- supplies that are not connected with Australia; and
- supplies made from one member of a GST group to another member of that GST group.

substitute:

- supplies that are not connected with Australia;
- supplies that are connected with Australia because of paragraph 9-25(5)(c);
- supplies (other than those mentioned in the immediately preceding two dot points) of a right or option to use commercial accommodation in Australia where the supplies are not made in Australia and are made through an enterprise that the supplier does not carry on in Australia;<sup>10C</sup> and
- supplies made from one member of a GST group to another member of that GST group.

<sup>10</sup> Subsection 162-5(2).

<sup>10A</sup> Subsection 131-5(2).

<sup>10B</sup> Subsection 123-7(2).

<sup>10C</sup> A similar transitional provision applies in working out current and projected annual turnover during the months of July, August and September 2005.

## 9. Paragraph 19

Omit the paragraph; substitute:

19. Although your current GST turnover and your projected GST turnover may be capable of being determined on every day during a month, there is no requirement for continuous recalculation. However, under the GST Act there are obligations if you meet or exceed a particular threshold and there is an opportunity for you to make certain elections if you do not exceed a particular threshold. Therefore, you should be aware of the relevant thresholds likely to affect you and consider whether your turnover may be sufficiently close to the relevant thresholds to make a review prudent. For example, Entity A conducts an enterprise with a GST turnover of \$70,000 and is not registered for GST. Because Entity A is aware that a \$5,000 increase in its GST turnover will result in the \$75,000 registration turnover threshold being met, it should monitor changes in its turnover. Entity B by contrast, is registered for GST, conducts an enterprise with a GST turnover of \$600,000 and accounts on a cash basis. The nearest relevant threshold is the cash accounting turnover threshold (\$2,000,000). Entity B may decide to review its current GST turnover and projected GST turnover on an annual basis whilst being aware that a significant change in turnover may require a further review.

## 10. Paragraph 46

Omit the paragraph; substitute:

46. An enterprise may consist of an isolated transaction or a dealing with a single asset. For example, an enterprise may consist solely of the acquisition and refurbishment of a suburban shop for resale at a profit. Where an entity engages in acquiring a single asset for resale at a profit, the activity will be an enterprise under paragraph 9-20(1)(b), because it is an activity in the form of an adventure in the nature of trade.<sup>20</sup> As discussed in paragraph 35 of this Ruling, the disposal of that single asset is not the transfer of a capital asset. Consequently, that supply is not excluded from your projected GST turnover.

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<sup>20</sup> For guidance on 'an adventure or concern in the nature of a trade' see Miscellaneous Taxation Ruling MT 2006/1. Goods and Services Tax Determination GSTD 2006/6 explains that MT 2006/1 has equal application for GST purposes.

**11. Paragraphs 48 to 50**

Omit the paragraphs; substitute:

48. James, a grazier, aged seventy, decides to retire from his farm. He holds a clearing sale and sells all his livestock, machinery and implements to various buyers. He receives \$80,000 from the sale that will be included in his current GST turnover. He is not registered for GST, as his GST turnover from selling livestock is usually around \$35,000.

49. If James has a GST turnover of \$75,000 or more he is required to be registered for GST. Although he normally would have sold some of this livestock in his day to day operations, the whole herd has been sold at this time solely as a consequence of ceasing to carry on his enterprise. The effect of subparagraph 188-25(b)(i) is that the \$80,000 is excluded from his projected GST turnover.

50. An objective assessment of James' projected GST turnover is below \$75,000 taking into account his age and the permanent nature of his decision. His current GST turnover is above \$75,000 but because his projected GST turnover is below \$75,000, his GST turnover does not meet the registration turnover threshold. Thus, James is not required to register for GST.

**12. Related Rulings/Determinations**

- (a) Omit 'MT 2000/1'; substitute 'MT 2006/1'.
- (b) Omit 'GSTD 2000/8'; substitute 'GSTD 2006/6'.

**13. Subject references**

Omit:

- current annual turnover
- GST annual turnover
- projected annual turnover

insert:

- annual apportionment turnover threshold
- current GST turnover
- GST turnover
- projected GST turnover
- small business entity
- small enterprise turnover threshold

**14. Legislative references:**

Insert:

- ANTS(GST)A99 9-25(5)(c)
- ANTS(GST)A99 29-40(1)(a)
- ANTS(GST)A99 123-5

# GSTR 2001/7

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- ANTS(GST)A99 123-7
- ANTS(GST)A99 123-7(1)(a)
- ANTS(GST)A99 123-7(2)
- ANTS(GST)A99 131-5
- ANTS(GST)A99 131-5(1)(a)(i)
- ANTS(GST)A99 131-5(2)
- ANTS(GST)A99 162-5(1)(a)(i)
- ITAA 1997 328-110
- ITAA 1997 328-110(4)

This Addendum explains our view of the law as it applies both before and after its date of issue. You can rely upon this Addendum on and from its date of issue for the purpose of section 105-60 of Schedule 1 to the *Taxation Administration Act 1953*.

If this Addendum conflicts with a previous private ruling that you have obtained or a previous public ruling, this Addendum prevails. However, if you have relied on a previous ruling (including the public Ruling that the Addendum amends), you are protected in respect of what you have done up to the date of issue of the Addendum or, if there is a change to the legislation, you are protected in respect of what you have done up to the date the legislative change takes effect. This means that if you have relied on the earlier ruling and have underpaid an amount of GST, you are not liable for the shortfall prior to either the issue date of this Addendum or the date the legislative change takes effect, as appropriate. Similarly, if you have relied on the earlier ruling you are not liable to repay an amount overpaid by the Commissioner as a refund.

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## Commissioner of Taxation

20 February 2008

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### ATO references

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