

G.S.T. THE NEXT CHALLENGE



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Now that we have survived the Millennium Bug, there have been numerous so-called 'experts' criticising the publicity that it attracted, and the enormous expenditure that some organisations have made to ensure that it did not impact on their business.

These critics base their argument on the fact that there was little or no disruption as the clock ticked over on New Years Eve. Of course the planning and the investments that preceded the new millennium ensured that any impact was minimised.

In many respects, the pending introduction of the GST on July 1 has the potential of bringing with it similar problems, particularly to small businesses.

Although these will not be as far-reaching and pervasive as the Y2K bug may have been, it could be equally disastrous to individual small businesses. The solution is the same. We must firstly understand the problem and then plan for the change. Most fabricators, by now, should have attended conferences run by the various trade organisations or supplier groups on the G.S.T. If you have not, you should make it your business to do so at the earliest possible date.

The H.I.A. are continuing to run G.S.T. seminars on a regular basis. These are specifically designed for the builders, contractors and suppliers to the building industry and are well regarded as being

practical and down-to-earth sessions, so it is not too late yet.

The A.T.O. have also published a very clear and precise document called "Manufacturing and the New Tax System" which will guide you through these new requirements. You can obtain your copy by downloading from the Internet at www.taxreform.ato.gov.au.

Once you understand the requirements of the G.S.T. you must look at what needs to be done.

The following are some items that need to be addressed:

- Apply for G.S.T. registration and obtain an A.B.N. before May 31, 2000. Businesses with an annual turnover of greater than \$50,000 must register for G.S.T.
- Decide whether your current accounting system can accommodate the G.S.T. and Input Tax Credit functions.
- If not, do you modify the system or upgrade to a new system?
- Review truss software to ensure that these programs are G.S.T. compliant. (The next release of MiTek's DataTRUSS, RoofFAB, and MiTek 2000 will calculate the G.S.T. component and include it as a separate item).
- Review any long-term contracts that will extend beyond July 1, 2000 and resolve with client G.S.T. issues.
- Organise new stationery well in advance of 1 July. Invoices where G.S.T. is applicable must:
 - ★ be labelled "Tax Invoice"
 - ★ include your A.B.N. and trading name
 - ★ include A.B.N. or address of purchaser
- "Adjustment Notes" - a new document will also be required to record any adjustment to invoiced amounts.
- Ensure that your sub-contractors or contracted personnel understand that they need to be G.S.T. registered and have an A.B.N. If they are not, they cannot issue a tax invoice, which will mean that your business will not be entitled to an Input Tax Credit. You can register electronically at www.business.gov.au.
- Become familiar with accounting procedures and new G.S.T. returns and deadlines. With the G.S.T. a new form of reporting will be introduced called "Business Activity Statement" (B.A.S.). Small Business (under \$20 million) will



be required to complete the B.A.S. quarterly. Due dates are October 21, January 21, April 21 and July 21. Businesses with an annual turnover greater than \$20 million must lodge their B.A.S. monthly, on or before, 21st of the following month.

- Look at the cash flow implications of G.S.T. This could have a positive or negative impact depending on the nature of your business. If you deal mostly with Owner Builders who pay up front, the impact to cash flow will be positive. However, if your business consists mostly of Project Builders who are on extended credit, you may have to pay the G.S.T. to the A.T.O. before you collect from your clients.

We have designed the MiTek range of software so that all cost inputs, e.g. timber, plates and labour are less the G.S.T. component. As the G.S.T. you pay on your timber and connectors will be offset by the G.S.T. you collect from your clients, this should not be included as part of your cost of production.

This simplifies the calculation of the correct truss cost significantly, as it is a simple matter of adding 10% on the total for the G.S.T. All quote reports will have a separate line item specifying the value of G.S.T.

The above points are just some of the issues which every business needs to address and is not intended to be a comprehensive list. Each business should seek professional help and develop a plan of action to ensure that they are ready well in advance.

If we are all prepared, we will look back at the July 1, as we have just done with January 1, 2000, and wonder what all the fuss was about.