Managing your GST liability

Occasionally, business owners will need to make changes to their net GST liability for any given reporting period.

There are one of two circumstances where changes are required:

1. needing to make an adjustment, or
2. an error on your business activity statement (BAS).

Making adjustments

Making changes to net GST liability will mean revising your business activity statement accordingly. The ATO refers to these changes as 'adjustments' and recognises two different types:

⇒ Increasing adjustments are those made when GST payments increase in a reporting period.

⇒ Decreasing adjustments are those made when GST payments decrease in a reporting period.

There are a number of instances where an adjustment will need to be made, such as:

◊ A taxable sale or a purchase made is cancelled, such as the return or refund of a product.

◊ A sale changes from taxable to no longer taxable and vice versa, such as in exporting.

◊ A taxable sale or purchase made changes in price, such as a rebate.

◊ A purchase changes from creditable to non-creditable and vice versa.

Correcting errors

GST errors include mistakes made when establishing the GST net amount on your BAS. Mistakes, could for example, result in a credit or debit error. The ATO recognises possible credit or debit errors as:

⇒ Recording GST sales more than once

⇒ Misrepresenting GST on sales or the GST credit on a purchase

⇒ Failing to report accurately a decreasing or increasing GST adjustment.

If a GST error has been made on a BAS, correcting these errors on a later activity statement rather than revising an activity statement with errors is easier. Generally, this will involve no extra penalties and no general interest charge as long as you are not subject to a compliance activity and the same error has not been corrected elsewhere.

In addition, credit and debit errors must be corrected within the credit/debit error time limit. Debit errors must not be a result of intentional disregard of GST laws, and the net sum of error/s must be within debit error value limit.