



Chief Executive Financial Instruction No. 11

Taxation

Document Information

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All Staff

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EXECUTIVE SUMMARY

The Suburban Land Agency (the Agency) will account for Goods and Services Tax (GST) payable and receivable so as to remit and report the correct amount to the Australian Taxation Office (ATO).

The Agency's salaried staff will be taxed under the Pay As You Go Withholding (PAYGW) system.

PAYGW is a tax levied on supplies of more than \$75 (exclusive of GST) made by non-salary suppliers who are not registered for an Australian Business Number (ABN).

The Agency's Finance team is responsible for keeping records necessary to enable Fringe Benefits Tax (FBT) liability to be calculated.



1. Obligations under this Instruction

1.1 Overview

This instruction provides guidance in relation to taxation matters that generally apply to the Agency such as GST, PAYGW and FBT. At all times, the applicable legislation will preside over this instruction.

This instruction is issued in accordance with the provisions of the *Financial Management Act 1996* (FMA), *A New Tax System (Goods and Services Tax) ACT 1999* (GST Act), and the *Fringe Benefits Tax Assessment ACT 1986* (FBT Act).

1.2 Compliance

Failure to comply with these instructions may result in inefficient or inappropriate use of public monies including fraud and not complying with the Agency's legislative responsibilities under the FMA.

Managers and staff are therefore accountable to the CEO for the fulfilment of their responsibilities under these instructions. Non-compliance will be taken as a serious matter and may result in disciplinary action or be reflected in management performance reviews.

Staff are accountable for their actions in relation to GST, PAYGW and FBT.

The related procedures assist staff in meeting their obligations under the FMA, GST and FBT Acts and this Instruction.

The services provided by Shared Services are provided in the ACT Government Budget Papers and the Annual Taxation Plan.

2. Overview of GST and PAYG

2.1 ABN

Enterprises registered for GST must also be registered for an ABN. The Agency is registered for GST and its ABN number is 27 105 505 367.

2.2 GST

The Agency will account for GST payable and receivable so as to remit and report the correct amount to the ATO.

2.3 PAYG Withholding - salary and wages

All of the Agency's salaried staff will be taxed under the PAYGW system.

2.4 Withholding - non-quotation of an ABN

PAYGW is a tax levied on supplies of more than \$75 (exclusive of GST) made by non-salary suppliers who are not registered for an ABN.

Withholding tax does not apply if:

- the supplier is an individual under 18 years of age and payments to that person are below the threshold prescribed by the ATO;
- the goods or services are supplied through an agent who has quoted their ABN on an invoice or some other document relating to the supply;
- the goods or services supplied are wholly input taxed under GST;
- the entire payment is exempt income for the supplier; or
- the supplier is not entitled to an ABN as they are not carrying on an enterprise in Australia.

A service provider who is registered for an ABN may enter into a voluntary agreement to have tax withheld. The withheld amount will depend on the agreement. These voluntary agreements may only be entered into for the performance of work or services.



3. Instructions for GST and PAYG - Purchasing

3.1 Obligations

All Staff are required to be aware of their obligations when undertaking transactions on behalf of the Agency with respect to GST. Staff will be required to account for all GST components when undertaking any transaction.

This obligation extends to non-financial transactions, such as payment in-kind arrangements.

As the GST for some transaction can be complex, staff should seek advice from finance if they require clarification of specific transactions.

3.2 Non-quotation of an ABN

Staff handling procurement matters are required to determine whether suppliers are registered for an ABN before entering into any transaction exceeding the ATO threshold, currently \$82.50 (inclusive of GST).

If the supplier does not have an ABN, the Agency's staff should seek the approval of the Chief Financial Officer (CFO) before undertaking any transactions with the supplier.

If a 'non-quotation of an ABN' transaction is entered into, PAYGW tax will apply unless a "statement by a supplier" form is completed. This form is published by the ATO on their website.

The Agency's finance team is to be informed prior to entering into the transaction so that the withholding tax requirements may be met.

3.3 Voluntary agreement to withhold tax

If the supplier of any work or services (who must be an individual) is registered for an ABN but voluntarily wishes to have tax withheld, they will need to enter into an agreement with the Agency.

In such circumstances the Agency's finance team is to be informed so that the agreement and the withholding administration can be arranged.

3.4 Obtaining tax invoices

Purchasing staff are required to obtain a tax invoice for any transactions amounting to more than \$82.50 inclusive of GST. For amounts less than \$82.50, an invoice should still be provided where possible.

3.5 Recording GST

The Agency's finance team are required to accurately record expenditure in the Financial Management System, by assigning the correct amounts and using the appropriate GST code.

3.6 Contracts

Staff entering into a contractual arrangement should seek the advice of the Agency's finance team in establishing the GST component of the contract.

Prices in contracts, tenders or related documents should be explicitly stated in GST-inclusive terms.

3.7 Salary and wages

Responsibility for PAYG rests with Shared Services Payroll for all persons employed by the Agency and receiving salaries and wages.



4. Instructions for GST - Sales

4.1 Obligations

Staff have the same obligations for GST involving sales as for purchasing (refer to section 3.1).

4.2 Determining GST

In consultation with the finance team, sales staff are required to determine whether GST applies to the Agency's goods or services that they are selling and to inform the Agency's customers on this matter. Refer to Chief Executive Financial Instruction No. 10 *Revenue Recognition* for further information. When in doubt, questions should be referred to the Agency's CFO for confirmation on appropriate decisions.

4.3 Sales including GST

GST generally applies to non-statutory sales supplied within Australia.

Prices are to be quoted to customers in GST-inclusive terms.

4.4 Recording

The Agency's finance team are required to accurately record revenue in the Financial Management System, by assigning the correct amounts and appropriate GST code.

4.5 Contracts and agreements

All contracts, memorandums of understanding and agreements associated with any revenue raising activities are required to be stated in GST inclusive terms.

4.6 Issuing tax invoices

Finance is responsible for the issuing of tax invoices and ensuring they comply with the legislative requirements.

5. Overview of FBT

5.1 Introduction

FBT is a tax payable by employers for benefits such as non-cash remuneration provided to employees or their associates (spouse or child), in respect of the person's employment. FBT is separate to income tax and is calculated on the taxable value of the fringe benefits provided. The FBT year ends on 31 March.

The FBT for the Agency is self-assessed on an annual basis. Examples of FBT include, but are not limited to meal entertainment, debt waivers, free car parking, business motor vehicle for private use and loans to staff.

5.2 Definition of employee

An employee is defined as "an individual who is retained by the Agency (employer) and is paid a salary and other forms of remuneration under the Agency based agreements".

A contractor or consultant is not classified as, or considered to be, an employee of the Agency.

5.3 Residents

FBT applies to benefits provided to staff residing in Australia, except where their salary is exempt from income tax.

5.4 Non-residents

Benefits provided to non-residents may also be liable to FBT depending on whether the employee's salary is exempt from Australian income tax.

5.5 Past and future employment

FBT extends to benefits provided to prospective or former staff in connection with their prospective or past employment. Staff should seek advice from the Agency's finance team if they require further clarification.



6. Instructions for FBT

6.1 Record keeping

The Agency's finance team is responsible for keeping records necessary to enable FBT taxation liability to be calculated.

6.2 Instalments

Shared Services is to calculate the FBT for the Agency, and arrange for FBT instalments to be remitted to the ATO in due course after obtaining approval from the Agency's CFO.

6.3 Rates

When the Agency is claiming an input tax credit for any GST paid on an FBT-attracting expense, FBT is to be applied at the higher of the two gross-up rates defined in the FBT legislation.

7. Overview of Taxation Reporting – Business Activity Statement (BAS)

7.1 Introduction

The BAS is a business reporting requirement imposed on all business registered for GST by the ATO.

7.2 Purpose

The BAS forms the basis upon which the Agency's monthly taxation remittance/refund is determined.

7.3 Components

Taxes reported on the BAS comprise:

- GST;
- PAYG Instalments;
- PAYGW; and
- FBT (this is currently not included on the Agency's monthly BAS. It will be included only when the Agency's annual FBT liability meets a threshold that is determined by the ATO).

8. Instructions for Taxation Reporting - BAS

8.1 Frequency

The BAS is to be prepared on a monthly basis and submitted to the ATO by the 21st day of the month following the previous tax period.

8.2 Source

The BAS will be prepared from transactional and taxation information extracted from the Agency's internal Financial Management System and will meet the requirements stipulated in GST Act.

8.3 Accrual accounting

The Agency will report on an accrual basis for the BAS in the context of the GST legislation.

8.4 GST collections and payments

The Agency will report on its GST position in accordance with requirements under the GST Act.

Tax invoices must be held before an input tax credit can be claimed.

8.5 Salaries

The Agency's PAYGW reporting requirements for salaries and wages will be met through the Agency's salary processing arrangements.



8.6 Non-quotation of ABN

The Agency's PAYGW amounts for non-quotation of an ABN will be determined from any supplies acquired from suppliers who are not registered for an ABN.

8.7 Responsibility

It is the responsibility of the Shared Services to ensure that the Agency's BAS is submitted to the ATO on time and that the financial data on which it is based is correct.