

TAXATION

POLICY

Section 262A of the *Income Tax Assessment Act 1936* requires that the agency keep records that document and explain all transactions generated in or by the agency. Records are normally required to be retained for five years from the date on which the record was prepared or obtained.

Goods and Services Tax (GST)

The Commonwealth introduced a new tax system on 1 July 2000, which introduced the GST and abolished a number of indirect taxes. The Directorate is carrying on a business within the terms of the New Tax System legislation and accordingly is able to claim Input Tax Credits and is required to levy the Goods and Services Tax for certain services.

The impact of the GST should be considered on all directorate transactions and arrangements including supplier contracts and sale and purchase agreements.

Tax Invoices must be received for all relevant expenditure.

A Business Activity Statement (BAS) must be completed monthly, and provided by the due date to the Australian Taxation Office (ATO).

All expenditure and invoice documentation must reflect GST requirements.

Fringe Benefits Tax (FBT)

EPD is liable for Fringe Benefits Tax (FBT) in accordance with the *Fringe Benefits Tax Assessment Act 1986*. Benefits provided to employees in connection with their employment are subject to Fringe Benefits Tax legislation.

The Directorate must ensure that a correct level of liability is paid to the ATO.

FBT liability must be assessed for any benefits provided by the Directorate to its employees. Staff obtaining a fringe benefit must provide information in relation to that benefit when requested.

FBT Returns must be submitted annually in accordance with ATO requirements.

Where the total taxable value of all reportable fringe benefits received by a directorate employee exceeds \$2,000, the Directorate must report the amount on the employee's Statement of Earnings.

RESPONSIBILITIES AND ACCOUNTABILITIES

The primary responsibilities and accountabilities in relation to Taxation rest with the following:

Position	Responsibility
Chief Finance Officer	<ul style="list-style-type: none"> ensure the Directorate complies with the ACT Taxation Management Framework and Commonwealth taxation requirements; provide source documentation required to prepare and lodge returns where this information is not already held by the Shared Services Centre (SSC), including collecting, collating and allocating fringe benefit information. This includes maintenance and summarisation of log book data; certify the annual FBT return for the Directorate; tax planning;

	<ul style="list-style-type: none"> • ensure that an external Taxation Audit Compliance Review is conducted every three years; • provide delegate approval for FBT based on the representation letter provided by SSC; • arrange Division 81 exemptions; and • seek private rulings from the ATO as required.
Executive	<ul style="list-style-type: none"> • seek taxation advice, where considered necessary, from EPD Finance before entering into any contract or other financial arrangement; • ensure that all contract prices are GST inclusive; and • ensure FBT declarations for entertainment expenses are completed as necessary.
Staff receiving benefits that are subject to FBT	<ul style="list-style-type: none"> • maintain any necessary FBT information requested from them.
Shared Services Finance	<ul style="list-style-type: none"> • prepare and lodge, (after approval and sign-off by Directorate) all relevant tax returns in relation to GST, FBT, PAYG Withholding and Super Guarantee within deadlines; • approve GST (BAS), PAYG Withholding and Super Guarantee returns; • provide representation letter to agency for approval of FBT return; • prepare and agree with Directorate annual FBT return preparation timetable; • agree FBT preparation methodology with Directorate where appropriate; • conduct annual “post lodgement’ review of FBT processes and identify opportunities for improvement/reduction in liability; • provide reportable fringe benefits information to the Shared Services Pay Centre; • calculate PAYG tax amounts to be withheld; • provide copies of PAYG Withholding documentation to employees; • manage relationship with ATO and act as approved contact officer; • undertake functions as Directorate Tax Manager in accordance with the Whole of Government Tax Framework and prepare tax plan; • liaise with ATO and Directorate’s on tax issues; and • provide training to Directorate staff on tax compliance matters.

NON-COMPLIANCE

Failure to comply with these procedures may result in the Directorate not meeting its legislative responsibilities pertaining to the Goods and Services Tax and to the Fringe Benefits Tax.

Staff are therefore accountable to the Director-General for the fulfilment of their responsibilities under these procedures. Non-compliance will be taken as a serious matter and may result in disciplinary action or be reflected in performance reviews.

TARGET USERS

These procedural rules are primarily for all staff responsible for GST in the Directorate and for all staff with responsibility for the administration of FBT and staff who are in receipt of a benefit that is subject to FBT.

PROCEDURES - GST

The following procedures are addressed by this guideline:

- how GST is applied;
- tax invoice;
- obtaining a tax invoice;
- recipient created tax invoices;
- GST on Financial Management Information Systems;
- monthly GST returns;
- changes to GST Legislation; and
- documentation.

How GST is applied

GST applies to the supply or importation of goods, services or any other thing in Australia, except to the extent that the supply or importation is input taxed or GST free.

GST is charged when a business supplies goods or services in the course of its business activity. The essential design feature of the GST is that tax paid by business is credited to the business and in some cases can be refunded. The effect of this crediting system is that GST rolls forward at each transaction to the point of sale to the end consumer.

Tax Invoice

Information required on a Tax Invoice:

- for all transactions between \$75 and \$1,000 (including GST), the following information must be included on an invoice to meet the requirements of a "Tax Invoice":
 - the words "Tax Invoice" stated prominently;
 - supplier's Australian Business Number ("ABN");
 - supplier name;
 - date of issue of invoice;
 - itemised description of the supplies;
 - price of the supply; and

- either the total amount of GST or a statement that the price is GST inclusive, if the amount of GST payable is exactly 1/11th of the total price.
- for all transactions over \$1,000 the tax invoice must also include the following additional information:
 - quantities of each item or extent of services supplied;
 - customer name; and
 - customer address or ABN if address not supplied.

Obtaining a Tax Invoice

A tax invoice is to be obtained from the supplier at the time of the purchase.

If a tax invoice is not supplied, a tax invoice is to be requested. The supplier is required to provide the tax invoice within 28 days of request from the recipient.

If a tax invoice is not provided by a GST registered supplier only the GST exclusive amount is paid to the supplier.

If a tax invoice is not provided because the supplier is not registered for GST purposes an invoice must be requested that includes the supplier's ABN and no GST is payable to the supplier.

If a valid ABN is not provided 46.5% of the amount of the invoice is to be withheld and remitted to the ATO unless a "Statement by Supplier" form is completed by the supplier.

Recipient Created Tax Invoices

Recipient Created Tax Invoices (RCTIs) are a specialist form of invoicing which, among other requirements governing its use, is prior written consent from the Federal Tax Commissioner.

RCTIs can be issued by a recipient if certain conditions are satisfied, including:

- both the recipient and supplier are registered for GST;
- the recipient and the supplier must have a current written agreement stating which supplies are covered; and
- the ATO must have determined that those supplies are of a kind that can have a RCTI issued.

Refer ATO website for further information.

GST data on FMIS

The Directorate uses ORACLE accounting software. This software contains a taxation report that can extract all expenses and revenue items attributed to tax code of 10%.

This report should be used to calculate the amount to be remitted to the ATO and the amount to be claimed as an input tax credit.

For control reasons the ORACLE software requires certain items such as ABN numbers to be entered and staff to check the validity of the information. When new suppliers are added to ORACLE they are checked to ensure correct ABN's are used.

The ORACLE System has in-built functions to test transactions for data entries. The entry of transactions will be put on hold if incorrect entries are entered.

The Taxation Manager has responsibility to prepare the Business Activity Statement (BAS). Shared Services, Finance checks for reasonableness and completeness of information contained in the BAS.

Monthly GST returns

Monthly GST returns and payments must be lodged with the ATO on or before the 21st day of the next month¹.

Staff from Shared Services prepare the monthly returns based on information accessed from ORACLE. The information accessed from ORACLE should also be checked for validity and completeness.

Documentation

A complete audit trail must be maintained for reference purposes.

PROCEDURES - FBT

The following procedures will be addressed by this guideline:

- what attracts FBT?
- FBT Exemptions;
- quarterly instalments;
- annual calculation;
- group certificates;
- records that must be kept; and
- hospitality.

What attracts FBT?

In general any private benefit provided by the Directorate to directorate staff attracts FBT, for example:

- semi-official telephones;
- meal entertainment;
- living away from home allowance;
- uniforms/clothing;
- car parking;
- Higher Education Loan Program; and
- motor vehicles.

The [ATO FBT Guide to Employers](#) provides further guidance on FBT.

FBT Exemptions

Some benefits are exempted from tax under the provisions of the FBT legislation such as home delivered newspapers, subscriptions to trade and professional journals and benefits which can be deducted under the 'otherwise deductible' rule.

¹ However, where the tax period ends during the first 7 days of the month, the return and payment must be made by the 21st day of that month.

Quarterly Instalments

The Directorate pays FBT to the ATO in quarterly instalments.

Quarterly instalments, which are based on the previous year's liability divided in four (4) should be made on :

- 21 July;
- 21 October;
- 21 January; and
- 21 April.

The FBT year runs from 1 April to 31 March.

Annual Calculation

The FBT for the Directorate is calculated on an annual basis.

Amounts are grossed up to determine reportable FBT liability. Grossed up amounts are calculated by Shared Services for inclusion in employee group certificates.

Relevant records are obtained from ORACLE and the Directorate's salary packaging providers to enable calculation of the Directorate's FBT return.

A second officer checks the return for reasonableness and completeness.

Pay As You Go (PAYG) Payment Summary

All recipients of FBT with an aggregate taxable value over \$2,000 must have the grossed up value of those benefits included on the PAYG Payment Summary.

Records that must be kept

The ACT Government fleet provider maintains SES car records.

Salary packaging records are maintained through the Directorate's contracted providers.

Hospitality

For all hospitality expenditure, a 'Declaration for FBT' form must be sent to Shared Services to enable the correct determination of FBT liability for the Directorate. For more information on Hospitality, please refer to DGFI - Official Hospitality / Meeting Expenses.

Shared Services

EPD is one of the ACT Government directorates that use the services of Shared Services to meet the taxation commitments in both GST and FBT.

Whilst Shared Services may prepare both the BAS and FBT returns for Treasury, the Director-General of EPD is ultimately responsible for ensuring the taxation management of the agency. The Chief Finance Officer implements the Director-General's intentions and supports and assists the Director-General to discharge their taxation responsibility.

EPD is required to undertake a taxation compliance review every three years. This review assists in the early identification of non-compliance through the provision of independent advice regarding compliance with taxation requirements. The outcomes/findings of this review must be signed off by the Chief Finance Officer of EPD.

EPD is also required to undertake an annual internal review of its taxation management. The EPD Chief Finance Officer is required to certify that EPD has conducted a taxation review and that it is compliant with the ACT's Taxation Management Framework and ATO legislation and regulation requirements. The signed certification is forwarded to the EPD Director-General and the Taxation Liaison Officer in Treasury.

For further information please refer to the Annual Taxation Plan – Environment and Planning Directorate and the Australian Capital Territory Taxation Management Framework.

REFERENCES

Source	Description
FMA	n/a
FMA Regs/FMOs	n/a
Other legislation/regs	<i><u>A New Tax System (Goods and Services Tax) 1999</u></i> <i><u>Fringe Benefits Tax Assessment Act 1986</u></i>
Related DGFIs	Official Hospitality / Meeting Expenses
Related Guidelines	EPD Annual Taxation Plan ACT Taxation Management Framework