

<b>Treasurer's Instruction No</b>	<b>1002</b>
Title	<b>Goods and Services Tax</b>
Effective date	<b>1 July 2005</b>
Objective and Background	<b>Provides instruction and guidance in respect of the Goods and Services Tax</b>
Last Reviewed Date	<b>20 April 2007</b>

*This Instruction was previously known as Treasurer's Instruction No 209 – Goods and Services Tax.*

*Black letter (or bold) items within these Instructions are mandatory and other plain font items are instructional or for the purpose of providing guidance only.*

**(1) Agencies must account for the Goods and Services Tax (GST) on an accrual basis.**

Generally, GST is a cash flow management, rather than a tax expense, issue. These cash flows are influenced by:

- whether GST is paid on a cash or accrual basis;
- the dates by which the request for GST tax credits is lodged with the Australian Tax Office (ATO) each month; and
- the level of tax credits outstanding at 30 June each year.

Cash management costs will be less if GST is accounted for on an accrual, rather than a cash, basis. Accounting for GST on an accrual basis provides agencies with much earlier access to tax credits owed to them by the ATO. The accrual basis generally favours the government sector which will be a net GST creditor because a significant proportion of Government supplies will be GST free. In addition, all fees and charges that have a regulatory purpose will be exempt from GST.

Agencies generally will be in a net refund position (as a result of GST paid, on inputs acquired, exceeding GST collected on outputs sold).

**(2) Agencies must manage GST cash flows within their existing global funding allocation by using the balance held within each Departmental Operating Account in the Special Deposits and Trust Fund, as at 30 June each year, to cover the GST tax credits owing by the ATO.**

Treasurer's Instruction 107 *Agency Operating Accounts* prohibits an Agency from overdrawing an Operating Account. Provided that agencies account for GST on an accrual basis and lodge GST returns promptly, the cash flow impact of GST should not be significant within the context of overall agency budgets.

The Treasurer has approved agencies retaining, within their Departmental Operating Accounts, the input tax credits paid by the ATO. These credits will reimburse agencies for the GST cost already incurred and charged to their Departmental Operating Accounts when goods and services were purchased.

Where an Agency has insufficient revenues within their Departmental Operating Accounts to cover outstanding amounts due from the ATO, thus putting the Account into overdraft, the Head of Agency should request an advance from the Treasurer sufficient to cover the shortfall.

For instruction and guidance in relation to the lodgement of Business Activity Statements refer to Treasurer's Instruction 1003 *Business Activities Statements (BAS)*.

- (3) An Agency must account for the GST associated with an allocated activity arising from:**
- (a) a State Service restructure following an Administrative Arrangements Order, effective from the date of restructure; or**
  - (b) a voluntary transfer between agencies, effective from the date of the transfer.**

When an Agency has been allocated an activity that arises from a State Service restructure following an Administrative Arrangements Order, or from a voluntary transfer between agencies, that Agency will include any GST associated with the allocated activity in its Business Activity Statement from the restructure or transfer date onwards.

Any documentation associated with the allocated activity (eg contracts, tax invoices etc) must be amended to comply with all applicable Goods and Service Tax legislation and rulings. For example, tax invoices should reflect the Australian Business Number of the transferee Agency.

Generally, the Australian Taxation Office exercises its discretion in relation to documentation that becomes invalid due to machinery of government of changes (eg State Service restructuring). This discretion provides a three month window for an Agency to correct such documentation.