



THE TAX INSTITUTE

6 April 2018

Ms Susan Bultitude
Manager
Indirect Taxes and Not-For-Profit Division
Treasury
Langton Crescent
PARKES ACT 2600

By email: susan.bultitude@treasury.gov.au

Dear Ms Bultitude,

Lower GST accrual accounting threshold for non-businesses

The Tax Institute would like to draw your attention to an apparent anomaly in the GST law.

Last year, the *Treasury Laws Amendment (Enterprise Tax Plan) Act 2017* passed, which (among other things) increased the small business aggregated turnover threshold from \$2 million to \$10 million from 1 July 2016.

This amendment had an impact on the cash accruals threshold for GST purposes in that small business entities with an aggregated turnover of less than \$10 million can now account for GST on a cash basis (section 29-40 of the *A New Tax System (Goods and Services Tax) Act 1999* (**GST Act**)).

While the turnover threshold increased for business entities, it remains at \$2 million for entities that do not carry on a business (section 29-40(1)(ab) of the GST Act). This is an issue for GST registered entities that carry on an enterprise, but do not carry on a business. Such entities will continue to have a \$2 million GST cash accounting threshold. Examples of enterprises that may be affected include owners' corporations for strata plans and entities that lease goods or real property.

There does not appear to be a good policy reason for making a distinction between such entities for GST purposes. It would appear to be an anomaly or an oversight which needs to be corrected so that such entities are not prejudiced.

We suggest raising the cash accounting threshold for non-businesses in the GST Act to \$10 million. In our view, the simplest way to effect such a change is to specify the \$10 million threshold in the GST Regulations (per section 29-40(3)).

If you would like to discuss any of the above, please contact either myself or Tax Counsel, Stephanie Caredes, on 02 8223 0059.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Tracey Rens', with a stylized, cursive script.

Tracey Rens
President