

TAX MATTERS

Tax strategies for you and your business



SHEILA PONTING & CO

ACCOUNTANTS + TAX AGENTS

GST refund time limit

Small businesses entitled to refunds of GST may not be aware of the four year time limit on claiming those refunds.

GST refunds are claimed under the indirect tax laws, which cover GST, Luxury Car Tax (LCT), Wine Equalization Tax (WET) and fuel tax credits. They are a form of 'outstanding indirect tax refunds' which are tax refunds that are entitled to the taxpayer but are yet to be claimed.

'Outstanding indirect tax refunds' can be claimed in the following cases:

Refund of a net amount for a tax period

For instance, if a small business has GST entitlements that amount to \$2,500, (which exceeds the net GST, WET and LCT liabilities for that period \$2,000), they are able to claim an outstanding indirect tax refund of \$500. This applies to those that have yet to lodge an activity statement for a tax period.

Refund of an overpayment of a net amount

Due to a clerical error, a business owner reports and pays \$4,600 net GST for a tax period instead of the actual amount of \$4,060. The excess amount of \$540 is an outstanding indirect tax refund which the business can claim.

Refund due to an underreported initial net refund entitlement

A business claims a net GST refund of \$3,000 for the tax period and receives the refund.

However, the amount was actually \$3,200 and

the excess \$200 represents an outstanding indirect tax refund.

Business owners should be aware of the four year time limit applied on the above claim instances, which ends four years from the due date of the activity statement for the tax period to which the refund would be attributable.

However, a business may still receive the GST refund even after the four year limit has expired if, during the four year period, either they or the ATO have notified the other party of the refund entitlement.

When the refund claim is eventually lodged, the ATO will reference any notifications given and the four year period will no longer apply.

If there is a taxation debt, then the ATO may apply the refund to offset any debt, regardless of whether it is due and payable- and any other due and payable Australian Government debt that there may be.

A business may claim an indirect tax refund or credit and notify the ATO of entitlement to a refund claim by doing one of the following:

- Lodge an original activity statement for the tax period for which the refund or credit relates.
- Revise the activity statement for the tax period to which the refund or credit relates.
- Take the refund or credit statement into account in the next activity statement- although this will be subject to the four year time limit.

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