

AUSTRALIAN TAX ADVISER

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Section 1 – Professional Developments

COMPLETING YOUR BAS

After a quarter of a century, you would be forgiven for thinking that taxpayers generally had nothing new to learn about their Business Activity Statements. There is however clear evidence that many business owners still struggle with their BASs. Recent reviews have shown that taxpayers are still being penalised for failing to record their income correctly or for late or incorrect lodgment of their BASs. Penalties now automatically apply for late lodgment at the rate of \$170 every 28 days or part thereof (up to a maximum of \$850). Higher penalty rates apply to medium or large taxpayers.

¶7.1 Common BAS preparation issues for small business owners

Some of the most common issues that small business owners encounter in relation to the preparation of their BASs include the following:

Mixed supplies

A mixed supply is one that involves sales that include both GST-able and non-GST-able elements. Whilst these occur mostly in the retail sector, businesses involved in the service industry also frequently make supplies that are partly taxable and partly GST-free or input taxed¹.

The hospitality sector also faces challenges where the GST treatment of the supply may vary depending on the type of product and how and where it is consumed. For example, most prepared meals and drinks are subject to GST, but certain takeaway foods may be GST-free.² It is essential that the business' point-of-sale (POS) system is applying the correct amount of GST to each item at checkout.

Mixed acquisitions

A mixed acquisition is likewise an acquisition that is partly creditable (input tax credits claimable) and partly non-creditable (input tax credits not available). A non-creditable acquisition can arise either because there was no GST in the acquisition in the first place or because the acquisition was made for a non-creditable purpose.

BAS agents should ensure that all products in the POS system are correctly classified and make sure the business claims GST credits on the taxable portion of supplier invoices only.

¹ Some suppliers will provide food for consumption both on the premises (dine-in) and away from the premises (takeaway). If you supply food that would otherwise be GST-free to both dine-in and takeaway customers, you need to identify food supplied for consumption on the premises from that which is to be consumed elsewhere.

² See the ATO [GST food and beverage search tool](#).