



## NEWS

### Tax Tips for the Building and Construction Industry

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The Tax Office has recently reviewed several hundred building and construction businesses to find out what the tax issues are and how it can assist businesses in getting their tax right.

We found that most problems arise when records are not accurate. The secret to an easier tax time is keeping good records.

By working with industry, the Tax Office has come up with some tips to help business operators with their tax.

1. Make sure all your sales and income are accounted for in your Business activity statement (BAS) and in your income tax return.

- \* Do not rely on just one record of sales or income - use all relevant records. For example, use both bank statements and invoice books.
- \* Make sure you include as sales or income any receipts that are paid as direct credits to your bank account and cash receipts which you may not bank.
- \* Use all relevant bank accounts to calculate your sales or income or to work out your GST credits or income tax deductions - do not base it on only one account if two or three accounts are used to bank your receipts or used to make payments of business expenses.
- \* Remember that non-cash receipts must be accounted for. Some builders accept assets rather than cash as payment. For example, one builder in a partnership may accept a unit in a complex rather than a cash payment when the partnership ends. Both GST and income tax must be paid on the value of that asset - in this case the unit. 1

If you use the margin scheme 2 to calculate GST on sales you make of properties you held at 1 July 2000, make sure you have adequate documentation to support both your decision to use the margin scheme and the calculation method you use. If you use a valuation to calculate the margin on which you pay GST, that valuation will need to meet all the requirements set out in the Schedules to the tax ruling.

2. When you sell, or trade-in an asset you have used in your business, make sure you include GST in your price.

- \* GST must be remitted on the amount received on the sale or trade-in of an asset.
- \* This also applies to assets purchased prior to the introduction of GST on 1 July 2000.
- \* GST should be calculated as 1/11 of the selling price or trade-in value.

3. If you use a computer software record keeping program, and are not completely sure of its operation, check with your supplier to ensure you are correctly recording your details. Ask for training if necessary. Alternatively, use the Tax Office's free electronic record keeping system, e-Record, available on the web site.

4. Only claim GST input tax credits in your BAS or deductions in your income tax return for business-related expenses and not personal expenses.

\* For example, if you use your business motor vehicle for private use 20 per cent of the time, claim credits for 80 per cent of those expenses on your BAS, not 100 per cent.

\* Renovations to your own home are considered personal expenses.

5. There are some expenses that you can not claim input tax credits on.

\* You cannot claim credits for expenses paid to suppliers that are not registered for GST.

\* You cannot claim credits for wages paid.

\* If you purchased a new motor vehicle before 23 May 2001, you cannot claim the input tax credits on the purchase cost. You can if the vehicle was purchased on or after 23 May 2001.

\* Do not claim credits on bank charges or stamp duty - there is no GST charged on these financial supplies.

\* Only claim credits on the principal amount payable under hire purchase contracts - not the interest, as there is no GST charged on interest.

6. You must have a valid tax invoice to claim an input tax credit. You must have the tax invoice at the time you put in your BAS. If you do not have the invoice at this time, you can claim the credit in a BAS when you do hold a tax invoice.

If, after reading this, you think you may have made an honest mistake with your tax, do not worry. The Tax Office will not apply penalties if a taxpayer has a good tax record and makes an honest, one-off mistake.

If you have made a mistake on a BAS, you may be able to fix it up in a later BAS3 or you can make a voluntary disclosure.

The Tax Office is there to help. We have many products and services available to help businesses with their tax. Visit the web site at [www.ato.gov.au](http://www.ato.gov.au) or call the Business Info Line on 13 28 66 for more information.