

THE UNIVERSITY OF
NEW SOUTH WALES



AUSTRALIAN DEFENCE
FORCE ACADEMY



GST & FBT Training

GST Transaction Type Changes & Revised FBT Guidelines For NS Financials

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Introduction

- Topics covered today:
 - Changes to the NS Financials
GST (VAT) Transaction Type Codes
 - Revised Fringe Benefits Tax (FBT) Guidelines

GST (VAT) Transaction Types

- What has changed?
 - The existing codes are mostly the same
 - Exception: FREE is now split into 2 categories
 - 6 new codes, including new codes for Imports
- Why?
 - To simplify the GST process in relation to imports
 - To assist with GST reporting compliance
- When?
 - From 15th February 2007

GST (VAT) Transaction Types

- Which Transactions Are Affected?

Those related to Purchasing only:

- Requisitions
- Purchase Orders
- Credit Card Reconciliation
- Accounts Payable Vouchers
- Journals

- Which Transactions Are Not Affected?

- Billing / Invoicing

- Although these use GST (VAT) Transaction Types, the codes for Billing are not changing.

GST (VAT) Transaction Types

- **Change Highlights**

- **New Codes: IMAC IMAO IMFC IMFO**

- These will be the **new** codes for goods **imported** into Australia
 - Will simplify the GST process in relation to imports
 - Effective 28 Feb 2007, we are registered for the ATO's 'GST Deferred Scheme'

GST (VAT) Transaction Types

- **Change Highlights**

 - Current Import Process

 - Goods Declared To Customs

 - EXCL code used, unless FREE
 - Customs invoice us separately for customs duty and GST
 - AP01 form / Adjustment vouchers req'd to pay these
 - Journals to fix up accounting if charged to UNSW credit card

 - Goods Not Requiring Declaration

 - FREE code is used
 - Eg duty & taxes <\$50 and customs value <\$1,000
 - Eg goods within the duty free allowance
(refer customs website)

GST (VAT) Transaction Types

- **Change Highlights**

 - Simplified Import Process

 - Deferral scheme effective from 28 Feb 2007
 - Quote the UNSW ABN number: **57 195 873 179**
(to the importing agent)
 - Any GST payable on is automatically adjusted in the monthly BAS via Customs via ATO
 - Any customs duty still paid via Credit Card or AP01

GST (VAT) Transaction Types

- **Change Highlights**

 - Simplified Import Process

 - Benefits:

 - No separate AP01 payment required for 100% GST payment to customs
 - Get your goods faster
 - No more emergency credit card payments
 - No journals required to 'fix up' credit card payments

GST (VAT) Transaction Types

- **Change Highlights**

- FREE code change

- This has now been split into 2 categories:



- Examples: purchases with no GST in the price such as basic food, water, sewerage & drainage, purchases consumed or used overseas such as accommodation & international airfares.

GST (VAT) Transaction Types

- **Change Highlights**

- **New Codes: NIAC & NIAO**

- These will be the **new** codes for purchases where the GST cannot be claimed, for specific non-deductible items

NIAC GST Included, Not Claimable for
Capital Acquisitions (\geq \$5000 ea)

NIAO GST Included, Not Claimable for
Acquisitions Other ($<$ \$5000 ea)

- Examples: employee meal entertainment, speeding fines, parking fines, penalties.

GST (VAT) Transaction Types

- **Change Highlights**

- **EXCL**

- This code already exists but its use will be more limited.
 - Outside of scope for the monthly Business Activity Statement (BAS) return.
 - **No longer used for goods bought or consumed overseas. Use the new Import codes (IMxx) if being imported or FRAC/FRAO if consumed overseas instead.**
 - Examples: payments which are not reported on the BAS such as payroll tax, gifts, donations, employer payments including wages, and superannuation.

GST (VAT) Transaction Types

Handout Review

New GST (VAT) Transaction Types Used For Purchasing & Billing in NS Financials

Short Description	Long Description NOT SURE WHICH CODE TO USE? Email the Tax Manager: awatson@unsw.edu.au with details.	Purchasing Codes	
		Capital ≥ \$5,000 per item	Non- capital < \$5,000 per item
ACQUISITIONS (Purchases)	Acquisitions are the goods or services which the University buys. Transactions affected: Requisitions, Purchase Orders, Credit Card Reconciliation, AP Vouchers, Journals .		
• GST In Price, GST Is Claimable	The purchase of taxable goods or services where the GST charged (ie an Input Tax Credit – ITC) can be claimed. This applies to the majority of purchases.	AC	AO
• GST In Price, GST Not Claimable & Relates To An Input Taxed Supply	The purchase of taxable goods or services which are input taxed supplies but the GST charged (ie an ITC) cannot be claimed. E.g. financial supplies (such as shares and bank charges), and certain supplies relating to accommodation.	ACIT	AOIT
• GST In Price, GST Not Claimable & Relates To Specific Non-Deductible Items	The purchase of taxable goods or services which are specific non-deductible items but the GST charged (ie an ITC) cannot be claimed. E.g. employee meal entertainment, fines and penalties. Note: For meal entertainment expenses, also refer to the Fringe Benefit Tax (FBT) Guidelines as these purchases may also attract FBT.	NIAC	NIAO
• GST Free Purchase, No GST In Price.	The purchase of goods or services with no GST in the price. These are referred to as GST Free purchases. E.g. GST-free basic food; water; sewerage and drainage; purchases made and consumed or used overseas such as accommodation; international air fares etc.	FRAC	FRAO
• No ABN or Declaration, Payment Made, ABN Withholding Applied	Used where the Supplier you are buying from does not have an ABN number, and hasn't provided a declaration form (Statement by Supplier). UNSW are required to withhold 46.5% of the payment as withholding tax.	NABC	NABN
• Importation Of Taxable Goods And Services	The overseas purchase of goods and services brought into Australia, where, had they been purchased in Australia instead, would have been subject to GST. E.g. machinery, equipment, computers, software etc.	IMAC	IMAO
• Importation of GST-Free Goods And Services	The overseas purchase of goods and services brought into Australia, where, had they been purchased in Australia instead, would have been GST-Free anyway. E.g. Pharmaceutical and medicinal drugs.	IMFC	IMFO
• Out Of Scope Payments	Purchases or payments which are not reported on the ATO Business Activity Statement (BAS). E.g. transactions between members of same GST group, payments of taxes (eg. PAYG, payroll tax employer payments such as wages, super), and gifts and donations.	EXCL	EXCL

GST (VAT) Transaction Types

- **Terminology: Mixed Supplies**
 - A mixed supply is where 2 or more GST types apply to a single purchase.
 - Distribution lines each have a different GST (VAT) Transaction Type, or sometime one line will need to be split into two.
 - Examples:
 - Purchases from the supermarket – some items include GST (AO), some are GST Free (FRAO).
 - An order for medical supplies where some items include GST (AO) and some items such as medicinal drugs are GST Free (FRAO).

GST (VAT) Transaction Types

- **How Does It Impact Me?**
 - Take care to select the correct new VAT Transaction Type for your purchase
 - Values are defaulted for all transactions, only change when necessary
 - Simplified imports process

GST (VAT) Transaction Types

- **How Does It Impact Me?**

Handout shows where to change codes for:

- Requisitions
- Purchase Orders
- Vouchers
- Credit Card Reconciliation
- Journals
- Staff & Student Reimbursement Forms
- Travel Advances / Cash Advances

GST (VAT) Transaction Types

- Tax Issues Contact:

- Eg to confirm which code to apply:

Anthony Watson – Manager, Tax

Email: awatson@unsw.edu.au

- Transactional Support Contacts:

- Eg how to change the GST (VAT) code on a PO / Voucher / Procurement Card Reconciliation transaction

Accounting Services Staff as per FSD website list

www.fsd.unsw.edu.au

then click on “Who Can Help”

GST (VAT) Transaction Types

Questions?

FBT Guidelines Update

- What is FBT?
 - FBT stands for **Fringe Benefits Tax**.
 - Generally a material benefit, other than salary or wages, derived by an employee from their employment.
 - Usually takes a non-monetary form.
Eg:
 - employee meal entertainment
 - motor vehicles provided by UNSW

FBT Guidelines Update

- What has been revised?
 - This presentation covers the revision of the FBT guidelines specific to meal entertainment expenses only.

Eg:

- Business lunches on or off campus
- Catering expenses
- Meals during travel
- Social functions

How much does FBT cost?

FBT Guidelines Update

- How Much Does FBT Cost?
 - *An expense of \$110 (incl GST) where FBT is payable costs us about \$216 + payroll tax.*

It more than doubles!

- Risk of audit failure and fines if not recorded correctly in NS Financials.

FBT Guidelines Update

- What has changed?
 - FBT Guidelines specifically for Meal Entertainment have been revised.
 - A user friendly table format is now available.
 - Note: for universities, there are some different rules to commercial environments.
- Why?
 - Non-accountant staff are expected to apply FBT guidelines in NS Financials

FBT Guidelines Update

- When?
 - The revised FBT Guidelines for Meal Entertainment are effective immediately
 - Updated guidelines relating to other FBT issues eg motor vehicles etc still to come . . .

FBT Guidelines Update

- Which Transactions Are Affected?

Those related to Purchasing only:

- Requisitions
- Purchase Orders
- Procurement Card Reconciliations
- Accounts Payable Vouchers
- Journals

FBT Guidelines Update

Handout Review Example of Page 1

Circumstances Under Which Food or Drink Are Provided	Is FBT Exempt or Payable?	UNSW GL Account Code To Use	UNSW Global GL Account To Use		VAT Transaction Type
			Direct	Indirect	
(1a) Food or drink consumed ON the employer's premises by Employees					
1. At a social function.	Payable	6457	13502	16101	NIAD
2. In an in-house dining facility – not at a social function. *	Exempt	6940 *	13501	16102	AD
3. In an in-house dining facility – at a social function. **	Payable	6939 **	13502	16101	NIAD
4. Morning & afternoon tea & light lunches.	Exempt	6611	13501	16103	AD
(1b) Food or drink consumed ON the employer's premises by Associates					
1. At a social function.	Payable	6457	13502	16101	AD
2. In an in-house dining facility – not at a social function. **	Payable	6939 **	13502	16101	AD
3. In an in-house dining facility – at a social function. **	Payable	6939 **	13502	16101	AD
4. Morning & afternoon tea & light lunches.	Payable	6457	13502	16101	AD
(1c) Food or drink consumed ON the employer's premises by Clients					
1. At a social function.	Exempt	6458	13501	16100	NIAD
2. In an in-house dining facility – not at a social function. *	Exempt	6940 *	13501	16100	NIAD
3. In an in-house dining facility – at a social function. *	Exempt	6940 *	13501	16100	NIAD
4. Morning & afternoon tea & light lunches.	Exempt	6611	13501	16100	AD
(2) Food or drink consumed OFF the employer's premises					
At a social function or business lunch:					
1. by Employees	Payable	6457	13502	16101	AD
2. by Associates	Payable	6457	13502	16101	AD
3. by Clients	Exempt	6458	13501	16100	NIAD

* linked to income account 1444, refer to your CSA. ** linked to income account 1443, refer to your CSA.

FBT Guidelines Update

Handout Review Glossary of Definitions

Item	Description
FBT	Fringe Benefits Tax – is generally any material benefit, other than salary or wages derived by an employee from employment. Usually takes a non-monetary form.
Employee	Past, present or future employees of UNSW, where there is a reasonable expectation that the person will become an employee. A past employee without ongoing connections eg Alumni from 20 yrs ago, may not necessarily be classified as 'past'. Assess on an individual basis and/or confirm with Manager, Tax.
Associates	Includes all relatives, <u>de facto</u> spouses, partners (whether or not the partnership still exists), partners' spouses and children.
Clients	Guests, not being staff or associates. Includes students.
In-house Dining Facility	<p>Currently the only approved in-house dining facility on campus is the Tyree Room. The AGSM dining room is <u>not</u> an approved in-house dining facility, as it is open to the public.</p> <p>An approved internal dining facility is defined under Division 32 of the Income Tax Assessment Act 1997 ("ITAA97") to mean:</p> <ul style="list-style-type: none"> a) canteen, dining room or similar facility; or b) a café, restaurant or similar facility; and c) is operated wholly or principally for providing food or drink on working days to employees <p>which is located on property occupied by the employer and is <u>not open to the public</u>.</p> <p>* Meal entertainment expenses for the Tyree Room are considered as 'internal trading' ie between one faculty/division and another. Therefore, these are usually processed via a journal because expense accounts 6939 & 6940 are linked to income accounts 1443 & 1444. Please refer to your Client Services Accountant for any assistance.</p>
Social Function	<p>A social function is characterised by the provision of entertainment, amusement or hospitable provisions for the wants of a guest. A social function displays a clear intention to treat food or drink consumed in such situations as entertainment, where the purpose of the function is for the employees to enjoy themselves or interact socially, whether or not business discussions or business transactions occur at the same time.</p> <p>In order to determine when the provision of food or drink results in entertainment you should consider: the reason why; what type; when; and where it is being provided.</p>
Morning & Afternoon Tea / Light Lunches	<p>Morning and afternoon tea includes light refreshments such as tea, coffee, juice and biscuits etc, but does not include alcohol. Light lunches are treated in the same way, and may include sandwiches, other 'hand food', salads, juice etc. It's merely providing refreshment/sustenance only, and not for the entertainment or social interaction of recipients.</p> <p>Be aware that if 'light' meals become more elaborate, they risk taking on the characteristics of 'entertainment' and may no longer be considered a mere refreshment.</p>

FBT Guidelines Update

- **How Does It Impact Me?**

Requisitions / Purchase Orders

- Before you arrange and order meal entertainment services, you will need to determine:

- Type/purpose of the function
- Where held eg on/off premises
- The number of each type of attendee eg employees, associates and clients.

- Split the distribution lines on a **per head basis** for UNSW employees, associates and clients.

- Eg: \$180 for 10 people – 4 employees and 6 clients. Per head cost = \$18. Split into employee costs of 4 x \$18 = \$72 and client costs of 6 x \$18 = \$108 coded accordingly.

FBT Guidelines Update

- **How Does It Impact Me?**

Procurement Card Reconciliations

Card Holders:

For meal entertainment purchases you need to advise:

- Type/purpose of the function
- Where held eg on/off premises
- The number of each type of attendee eg employees, associates and clients (enables Reconciler to split FBT cost per head).

FBT Guidelines Update

- **How Does It Impact Me?**

Procurement Card Reconciliations

Reconcilers:

- For meal entertainment purchases:
 - Go back to cardholder for more information before reconciling their transactions
- Before you reconcile the purchase, you will need to determine:
 - Is it subject to FBT or not?
 - What portion is or isn't?
 - **Split the line accordingly on a per head basis**

You are responsible for entering the correct account information into NS Financials

FBT Guidelines Update

- **How Does It Impact Me?**

Accounts Payable Voucher Entry

PO Vouchers

- The Faculty/Division who purchased the goods/services are responsible for determining FBT applicability and filling in the correct GL Account code(s) on the original PO.

Non-Order Vouchers (AP01)

- The Faculty/Division who purchased the goods/services are responsible for determining FBT applicability and filling in the correct GL Account code(s) on the Staff & Student Reimbursement Form.

Journals

- The finance specialist entering the journal is responsible for determining FBT applicability and filling in the correct GL Account code(s) on the journal.

FBT Guidelines Update

- Tax Issue Contact:

- Eg to confirm if FBT is or isn't applicable to a purchase:

Anthony Watson – Manager, Tax

Email: awatson@unsw.edu.au

- Transactional Support Contacts:

- Eg how to enter the relevant details into a transaction:

Accounting Services Staff as per FSD website list

www.fsd.unsw.edu.au

then click on “Who Can Help”

FBT Guidelines Update

- All documents & this presentation available on the UNSW Accounting Services website:
www.fsd.unsw.edu.au

Click on Training

Scroll down to Other Handy Links

Other Handy Links

Document Name / Link	Description
Fringe Benefits Tax (FBT) Meal Entertainment Guidelines	This document provides guidance as to what meal/food provisions are and aren't subject to FBT. This table applies to both UNSW and UNSW Global. It includes examples of food and drink served on and off campus to Employees, Clients, Students and Relatives, and what GL Account codes and GST (VAT) Transaction Types to apply to such transactions. Revised version @ 15 February 2007.
New GST (VAT) Transaction Type Codes for Purchasing and Billing	This document is a guide to the changes made to the GST (VAT) Transaction Types used on all Purchasing (PO, eProc, PCard, Vouchers), Billing and Journal transactions. It also shows you where to change the VAT Transaction Code on each type of transaction in NS Financials, and includes 8 new codes, namely NIAC, NIAO, FRAC, FRAO, IMAC, IMAO, IMFC, IMFO.
GST Code / FBT Guidelines Update Presentation	This is an updated copy of the presentation provided at the GST & FBT Lecture Information sessions during 24th - 30th January 2007 and April 2007 at ADFA.
AP01 Reduction Programme - Lecture Session Presentation	This is an updated copy of the presentation delivered during the January - March 2007 lecture sessions and April 2007 at ADFA.

FBT Guidelines Update

Questions?

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GST & FBT Training

The End

Thank you for your attendance today.