

**Editor's Note**

Hiring for a start-up is very different than for a larger business. Today, we explain the key qualities you need to look out for.



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Can I claim the GST back without registering for a BAS?

If my small business is not big enough yet to be registered for GST, how do I claim back the GST I am charged on items I buy? Or can I not claim it back anyway and it makes no difference?

I currently make about \$60,000 a year and my accountant says it's not worth the BAS hassle of registering for GST, so all my invoices are without GST to my clients and providers (and not tax invoices).

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All businesses that are under the threshold have the choice to register for GST if they wish.

The threshold for registration for GST is \$75,000. Once your turnover reaches this threshold you must register.

Until then, you are not required to register.

If you are not registered for GST your invoice must not say Tax Invoice and just say Invoice. You do not charge an extra 10% on top of your services, that you collect and pay onto the government and you cannot claim the GST paid on items you buy. Instead of claiming the 10% on purchases against the amount you have collected to the ATO, you claim that extra 10% as a tax deduction as you are not required to reduce the expense by that amount for tax purposes if you are not registered for GST. Most people do not want to fill out the Business Activity Statements every quarter so they elect not to register until they have to.

Below we take a look at the difference of registering versus not registering.

If registered and we assume your turnover is currently \$60,000 you would have had to collect an extra \$6,000 on top of your turnover by charging an extra 10% for your services.

Your turnover would now be \$66,000. The \$6,000 is owed to the ATO.

Say your expenses are \$40,000 (assuming all expenses have GST on them), then you would have paid \$3,636 in GST, therefore you would owe the ATO \$2,364.

Your taxable profit would be \$23,636 and you will pay tax at say 30% (for ease of comparison), which equals \$7,090.80.

Now, in comparison, if you don't register for GST your tax bill would be \$6,000. You would save \$1,090.80 in tax. However you would miss out on \$3,636 in extra income from the extra GST charged.

So if you don't register for GST you are effectively missing out on \$2,545.20 in extra income.

Brad Callaghan, of [Callaghan Partners](#), has more than nine years' professional accountancy experience. He has worked in senior management roles within taxation and business services dealing with a number of clients from a range of business sectors.

Ask Brad or any other StartupSmart Mentor a question [here](#).