Tax Types

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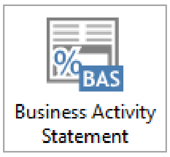

The instructions in this article relate to ***Business Activity Statement*** and ***Income Activity Statement*** and the tax types available in StrataMax. The icon may be located on your *StrataMax Desktop* or found using the *StrataMax Search*.

Goods and Services Tax (GST)

GST is a broad-based tax of 10% on most supplies of goods and services consumed in Australia and was introduced on 1 July 2000. There are certain items that do not attract GST and the setup of the Chart of Accounts for particular income / expense items can be completed to ensure that GST is not transacted on these specific accounts.

PAYG Instalment Tax

PAYG Instalment Tax is an amount payable to the ATO (Australian Taxation Office) based on the assessible income tax paid from the prior lodged tax year return. This tax is a contribution to the expected amount due for the current tax year and when lodging the tax return, the amounts paid during the year will be offset against any tax owed for the year resulting in a payment or refund. Amounts are paid with the lodgement of either a Business Activity Statement (BAS) or an Income Activity Statement (IAS).

There are two options for payment of PAYG Instalment Tax, the amount / percentage is advised by the ATO, you may be given the option to choose which is more appropriate when reporting to the ATO:

Option 1 Instalment Amount

The instalment amount is a fixed amount calculated from information you reported on your latest lodged tax return. You will be notified by the Australian Taxation Office of the amount due and payable each period. This can be setup in Building Information.

If you're eligible for this option, your amount will be shown at option 1 on your activity statement or instalment notice. If your only obligation is PAYG instalments, you will receive an IAS instead of a BAS.

Option 2 Instalment Rate

The PAYG instalment tax amount, if to be reported based on the percentage rate (Option 2), must be selected with the ATO. If you are currently paying using Instalment Amount (Option 1), this may be changed to Option 2 on the first quarter of the next income year by completing 'instalment rate' (Option 2) on your activity statement and lodging it by 28 October (or the applicable due date).

The option is used by calculating the Non-Mutual Income received by the advised percentage rate for the reporting period. The Chart of Accounts must have the income accounts setup as Non-Mutual for this option, to be able to calculate when transactions are processed to these particular accounts. See ***Account Maintenance*** to assist with applying the correct settings.

Withholding Tax

Withholding tax refers to tax that is withheld from Wages, Non-ABN Invoices and Non-TFN income. StrataMax reports for Tax withheld for employee Wages. Please refer to ***Pay Employees*** for the setup and processing for this tax.

Income Tax

Income Tax reporting will provide the required details for an accountant / tax agent to calculate and lodge the annual income tax return. The below are explanations of the different classifications of income and expenses used for calculation.

Mutual Income

The mutuality principle is a legal principle established by case law. It is based on the proposition that an organisation cannot derive income from itself. The principle provides that where a number of persons contribute to a common fund created and controlled by them for a common purpose, any surplus arising from the use of that fund for the common purpose is **not income and not assessed.**

Mutual Expenses

Generally, where an organisation has non-assessable income, the expenses it incurs to get that revenue will not be deductible.

Mutual receipts are not assessable income. Therefore, costs incurred to get mutual receipts are not deductible. Also, under the mutuality principle, where other expenses are incurred when dealing with members, these costs cannot be claimed as deductions.

Non-Mutual Income

The above principle does not extend to include income that is derived from sources outside that group. i.e. income not from members / owners and is as such assessed as taxable income. E.g. Interest on Investment accounts.

Non-Mutual Expenses

Generally, deductions are operating expenses that are incurred in earning an organisation's assessable income. In many situations, it is easy to separate the apportioned expenses between mutual and non-mutual. However, there may be a need to apportion expenses where the item / expense may relate to both generation of both mutual / non-mutual income.

Non-mutual Income
Total Revenue

= % rate to use as apportionment for calculation of expenses

Deductible expenses * % rate

> The above classifications for Income Tax are maintained in ***Account Maintenance***. The accounts to be setup with the specific classifications may need review with a tax agent / accountant