



Is Your Limit To Claiming A GST Refund Approaching?

Small businesses entitled to refunds of GST may not be aware of the four-year time limit on claiming those refunds. Your entitlement to a GST credit ends four years from the due date of the earliest activity statement in which you could have claimed it.

GST refunds are claimed under the indirect tax concession scheme (ITCS), which also covers luxury car tax (LCT), wine equalization tax (WET) and excise.

They are a form of "outstanding indirect tax refunds", which are tax refunds that are entitled to the taxpayer but are yet to be claimed.

"Outstanding indirect tax refunds" can be claimed in the following cases.

Refund of a net amount for a tax period:

This applies to those that have yet to lodge an activity statement for a tax period. Small businesses with GST entitlements that amount to \$2,500 (which exceeds the net GST, WET and LCT liabilities for that period \$2,000), can claim an outstanding indirect tax refund of \$500.

Refund Of An Overpayment Of A Net Amount:

Due to a clerical error, a business owner reports and pays \$4,600 net GST for a tax period instead of the actual amount of \$4,060. The excess amount of \$540 is an outstanding indirect tax refund which the business can claim.

- **ETP cap: this is indexed each year, so for 2022- 23 the cap is \$230 000. This cap is reduced by any earlier ETPs paid in the same income year.**
- **Whole-of-income cap: this cap is \$180 000 (2021-22 tax rate), and is reduced by any other taxable payments given to the employee in the same income year.**

The concessional tax rate is 17% for employees who have reached their preservation age, which is determined by when they were born (if they were born after 30/6/1964, their preservation age is 60).

For genuine redundancy payments and early retirement scheme payments, there is a tax-free limit depending on the employee's service amount with the employer. The tax-free amount is not part of the employee's ETP and is provided as a lump sum in their PAYG payment summary.

Any amount above this tax-free limit is part of the employee's ETP.

The tax-free limit is calculated through the formula: Tax-free limit = base amount + (service amount x years of service).

The ETP payment summary that reflects the payment amount and any associated withholding must be supplied to the employee within 14 days of the employer making the payment.

Refund Due To An Underreported Initial Net Refund Entitlement:

A business claims a net GST refund of \$3,000 for the tax period and receives the refund. Afterwards, however, it is realised that the actual refund entitlement was \$3,200, the excess \$200 represents an outstanding indirect tax refund that can be claimed.

Refund Of Indirect Tax Relating To An Importation:

For example, \$200 GST is overpaid for an importation. This \$200 represents an outstanding indirect tax refund that can be claimed.

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