
MYOB AND SMALL WINERIES – THE BAS

We will be using a method to do the BAS which might be different to what you are used to. We will not be using the BAS module, and we will be using a self correcting method.

ACCRUALS OR CASH

Many small wineries will be on the “Cash Basis for GST”. Computing@home believes, in most cases, that this is not the best method. It is usually better to be on the “Accrued Method” because MYOB, if you are using invoicing on the purchases and sales sections, reports its figures in the Chart of Accounts as Accrued. There is also a cash flow benefit if creditors are higher than debtors – which in most wineries will be the case. There may be a huge cash flow benefit if you supply to a wholesaler, as you will be able to claim back the WET on that stock, sometimes before it is paid for. If you are a Cash basis try to convince your accountant or owner to move to the accruals base system for GST.

BAS PERIOD

It is something of an accounting truism that you should never pay today, what you could pay tomorrow. Therefore accountants normally advise the clients to do the BAS as less as possible. Most small wineries will be on 3 monthly periods for BAS's or some sort of yearly return. Computing@home believes you should consider going on a monthly or quarterly basis, unless there are serious cash flow issues. This evens out cash flow, makes sure the accounts are kept up to date, makes sure errors are fixed monthly, allows you to become familiar with the methods outlined here and allows monthly P and Ls. Check with your accountant.

PAST ERRORS

You need to make sure all previous BAS entries have been correctly made, and if necessary reconciled to the ATO's Running Balance Account (RBA). If you feel you have become “Out Of Balance” with the RBA, you need to correct this. This can be quite a complex task, but will really need to be done.

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BAS CHECKLIST

Most of this will be familiar to you.

1. Enter all Customer Invoices.
2. Enter all Customer Payments.
3. Enter all Purchases and Expenses.
4. Enter all payments and disbursements.
5. Reconcile all operating accounts including impress and cash accounts.
6. Reconcile accounts such as PAYG.
7. Run the various reports for "Own Use" and make any journals.
8. Run the report for Distributor and make any journals.
9. Run a balance sheet for the end day of the period.

ACCOUNTS METHOD

The Accounts Method for GST allows you to add up the GST owed and owing (which is what the balance sheet does), and "estimate" the total sales, purchases etc. The other method, called the "Calculation Method", requires us to add up all GST Sales and Purchases and then calculate 1/11 of that, which is GST.

The Accounts Method using the Balance Sheet allows that "Corrections" are sometimes made to the accounts in past periods. Ideally once the BAS has been done the accounts should be locked prior to that period, but its far easier and safer to correct something "live on the screen" than make a correcting reversal and maybe re-entry in the current period. You should be aware that only small amounts should ever be corrected in this manner, and never after the accounts have gone to the accountant.

Example: We entered a Purchase to Telstra for \$755 in January. We do the January BAS, but later, when we go to pay Telstra we find we actually owe them \$735. What we should do is, in February raise a credit for \$20. However that means are P and L shows we spent \$750 on telephone calls in January. If you corrected it to \$730, then the GST reports you run for BAS in Feb would miss it. In this method you are allowed to correct it, as we will be using the GST from the Balance sheet as the reportable owing, rather than from the BAS reports.

Current GST legislation allows GST adjustments to be made up to \$5000 (turnover under 20,000,000), as long as it is corrected within eighteen months. Only genuine mistakes can be corrected; you cannot use this method to delay bringing to account GST.

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DOING THE BAS

Doing the BAS with so many tax codes can be a bit of a nightmare. Under the accounts method it is OK to not exactly report the sales and purchases from reports as long as the GST and WET is correct.

If we run the GST Summary Accrual report (below) or Cash report if you are on the Cash system you will get a report like the one below. By using the formulae below you can easily fill in the BAS.

Ruddy Wines						
GST [Summary - Accrual]						
1/12/2007 To 31/12/2007						
28/01/2008 7:36:27 PM						Page 1
Code	Description	Rate	Sale Value	Purchase Value	Tax Collected	Tax Paid
CAP	Capital Acquisitions	10.000%		\$25,000.00		\$2,272.73
EXP	Export	0.000%	\$1,082.74			
FRE	GST Free	0.000%	\$1,082.74	\$3,500.00		
GST	Goods & Services Tax	10.000%	\$18,452.50	\$38,500.00	\$1,677.50	\$3,500.00
N-T	Not Reportable	0.000%	\$25,800.00	\$35,000.00		
RSG	Retail Sales GST	11.898%	\$16,784.66		\$1,784.66	
RSW	Retail Sales WET	18.977%	\$17,846.52		\$2,846.52	
WED	Wine Equalisation for Dist	29.000%	-\$25,800.00		-\$5,800.00	
WEG	GST on Wine Equalisatio	12.900%	\$14,112.50		\$1,612.50	
WET	Wine Equalisation Tax	29.000%	\$16,125.00		\$3,625.00	
Total:					\$5,746.18	\$5,772.73

FIGURE 1 GST BAS REPORT

G1 Total Sales is the trickiest. It would be:

$$\text{EXP } (\$1,083) + \text{FRE } (\$1,083) + \text{GST } (\$18,452) + \text{RSG } (\$16,785) + \text{Tax collected on RSW } (\$2,847) + \text{WEG } (\$14,112) + \text{Tax collected on WET } (\$3,625) = \text{Total } (\underline{\$57,987})$$

But we have an easier way. Remember we are using the "From Accounts" method, and in that method we just take the Balance sheet amount and calculate back to the Sales. So:

$$5,103.76 \times 11 = \$56,141$$

We need to add the GST Free sales (EXP and FRE above). So:

$$\$56,141 + \$1,083 + \$1,083 = \underline{\$58,307}$$

Notice these figures (underlined) are not the same. This is because the sale below was added after we had already done the November BAS. In this method we automatically pick this up for the BAS – both for the GST as well as for the total sales; so, not only is this method easier, it allows certain adjustments made to the accounts, and then reports them correctly on the BAS automatically.

MYOB and Small Wineries - BAS

Customer ⇨: Wine R Us		Terms ⇨: Net 30th after EOM		<input checked="" type="checkbox"/> Tax Inclusive				
Ship to ▾: Wine R Us		Invoice #: 00000017		Date: 1/11/2007				
		Customer PO #:						
Ship	Backorder	Item Number	Description	Price	Disc%	Total	Job	Tax
30		⇨12345678912121	Ruddy Wines Cabernet 2003	\$10.6695		\$320.09		GW

FIGURE 2 - STRAY SALE ADDED AFTER PREVIOUS BAS COMPLETED

To fill in the rest of the BAS form:

G2 is obviously just EXP, which is \$1,083

G3 is just FRE, which is also \$1,083

G10 is simply CAP (Capital purchases) and is \$25,000

G11 is FRE + GST and is \$42,000

The amounts on the back of the BAS are taken from the Balance Sheet. They should be close or the same as the figures on this BAS report, unless you have made adjustments. If you use the CASH method of doing the BAS then you cannot use the balance sheet, as the figures on the balance sheet are accrued.

BAS Liabilities	
GST Collected	\$5,103.76
GST Paid	-\$5,792.73
WET Distributor	-\$5,800.00
Sales Tax Payable	\$6,536.94
Total BAS Liabilities	\$47.97
Total Liabilities	

FIGURE 3 SECTION OF BALANCE SHEET

- GST Paid is on the report \$5,772.73 and on the Balance sheet \$5,792.73 which is \$20 more. We use the one on the balance sheet and put on the BAS \$5793
- GST Collected is on the report GST (\$1,677.50) + RSG (\$1784.66) + WEG (\$1,615.50) = \$5,077.66. On the Balance Sheet it is \$5,103.76. As always, we use the balance sheet figure.
- WET owed to the ATO on the report is RSW (\$2847) + WET (\$3625) = \$6472. On the balance sheet it is \$6537. We use the Balance sheet figure.
- WET Owed by the ATO to us is (assuming we are under the threshold of \$500,000 for the year) is The WET owed + the WED which is \$5800 on both the Balance sheet and the Report. \$6537+5800 = \$12337

MYOB and Small Wineries - BAS

Under ATO regulations, the WET rebate is income. So assuming no income from other sources for this exercise, the income figure can be found in your P and L + WET payable. In this case it is \$52240 + \$6537 which is \$58777. If you are reporting PAYG installments on income then this will have to go at T1. Note that the \$5800 is NOT added to the income, as it already has been through a journal entry earlier.

leave boxes blank if not applicable (do not use N/A, NIL)
 show whole dollars only (do not show cents)
 do not use symbols such as +, -, /, \$

GST accounting method: Standard Simple

Contact phone number: 0 8 9 7 5 7 9 0 0 7

Contact person who completed the form: Rod Bennett

Goods and services tax (GST)

complete Option 1 OR 2 OR 3 (indicate one choice with an X)

Option 1: Calculate GST and report quarterly

Total sales G1 \$ 5 7 9 8 7 .00

Does the amount shown at G1 include GST? (indicate with X) Yes No

Export sales G2 \$ 1 0 8 3 .00

Other GST-free sales G3 \$ 1 0 8 3 .00

Capital purchases G10 \$ 2 5 0 0 0 .00

Non-capital purchases G11 \$ 4 2 0 0 0 .00

Report GST on sales at 1A and GST on purchases at 1B in the Summary section over the page and then complete the other sections

OR

Option 2: Calculate GST quarterly and report annually

Total sales G1 \$.00

Does the amount shown at G1 include GST? (indicate with X) Yes No

Report GST on sales at 1A and GST on purchases at 1B in the Summary section over the page and then complete the other sections

Option 3: Pay GST instalment amount quarterly

G21 \$.00

Write this amount at 1A in the Summary section over the page (leave 1B blank)

OR if varying this amount, complete G22, G23, G24

Estimated net GST for the year G22 \$.00

Varied amount for the quarter G23 \$.00

Write the G23 amount at 1A in the Summary section over the page and then complete the other sections (leave 1B blank)

Reason code for variation G24 .00

PAYG tax withheld

Total salary, wages and other payments W1 \$ 1 1 0 0 0 .00

Amount withheld from payments shown at W1 W2 \$ 3 2 0 0 .00

Amount withheld where no ABN is quoted W4 \$.00

Other amounts withheld (excluding any amount shown at W2 or W4) W3 \$.00

Total amounts withheld (W2 + W4 + W3) W5 \$ 3 2 0 0 .00

Write the W5 amount at 4 in the Summary section over the page and then complete the other sections

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FIGURE 4 SAMPLE BAS

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Only complete Option 1 OR 2 (indicate one choice with X)

Option 1: Pay a PAYG instalment amount quarterly

T7 \$

Write the T7 amount at 5A in the Summary section
OR if varying this amount, complete T8, T9, T4

Estimated tax for the year T8 \$.00

Varied amount for the quarter T9 \$.00

Write the T9 amount at 5A in the Summary section

Reason code for variation T4

Option 2: Calculate PAYG instalment using income times rate

PAYG instalment income T1 \$ 58777.00

T2 2.00 %

OR

New varied rate T3 %

T1 x T2 (or x T3) T11 \$ 1176.00

Write the T11 amount at 5A in the Summary section

Reason code for variation T4

Fringe benefits tax (FBT) Instalment

F1 \$

Write the F1 amount at 6A in the Summary section
OR if varying this amount, complete F2, F3, F4

Estimated FBT for the year F2 \$.00

Varied amount for the quarter F3 \$.00

Write the F3 amount at 6A in the Summary section

Reason code for variation F4

Declaration I declare that the information given on this form is true and correct, and that I am authorised to make this declaration. The tax invoice requirements have been met.

Signature Rod Bennett Date 15 / 1 / 2008

Activity statement instructions are available from www.ato.gov.au or can be ordered by phoning 13 28 66. The Tax Office is authorised by the tax laws to collect this information to

If you are using GST Option 3 leave 1B, 1C, 1D, 1E, 1F blank

Amounts you owe the Tax Office

GST on sales or GST instalment 1A \$ 5104.00

Wine equalisation tax 1C \$ 16537.00

Luxury car tax 1E \$

PAYG tax withheld 4 \$ 3200.00

PAYG income tax instalment 5A \$ 1176.00

FBT instalment 6A \$

Deferred company fund instalment 7 \$

1A + 1C + 1E + 4 + 5A + 6A + 7 8A \$ 16017.00

Amounts the Tax Office owes you

GST on purchases 1B \$ 5793.00

Wine equalisation tax refundable 1D \$ 12337.00

Luxury car tax refundable 1F \$

Credit from PAYG income tax instalment variation 5B \$

Credit from FBT instalment variation 6B \$

1B + 1D + 1F + 5B + 6B 8B \$ 18130.00

Payment or refund?

Is 8A more than 8B? (indicate with X)

Yes, then write the result of 8A minus 8B at 9. This amount is payable to the Tax Office.

No, then write the result of 8B minus 8A at 9. This amount is refundable to you (or offset against any other tax debt you have).

Your payment or refund amount

9 \$ 2113.00

Do not use symbols such as +, -, /, \$

Please return this completed form to

HRS 1 MINS 30

Please estimate the time taken to complete this form. Include the time taken to collect any information.

FIGURE 5 SAMPLE BAS REAR

MYOB and Small Wineries - BAS

MAKING THE BAS ENTRY

Our last job is to enter the BAS. I prefer to enter as at the last day of the BAS period (in this case 31/12/07), though this will effect cash flow reports as you are reporting a cash disbursement or receipt before it happens. However you have the advantage of being able to easily check the BAS reconciles to the various accounts. So what date you date the BAS transaction is up to you.

In any case first enter it at the BAS date (EOM), check to see if all the liability accounts have become less than \$1, and then (if you must) change the date. That is how you reconcile the BAS to your accounts.

As this is an amount owing to us, then we use Receive Money

<input checked="" type="radio"/> Deposit to Account: 1-1100 General Cheque Account Balance ⇄: -\$60,220.00		<input type="radio"/> Group with Undeposited Funds: <input checked="" type="checkbox"/> Tax Inclusive	
Payor ⇄: ATO		ID #: CR000001	
Amount Received: \$2,113.00		Date: 31/12/2007	
Payment Method: Direct Payment <input type="button" value="Details..."/>			
Memo: ATO			

Acct #	Name	Amount	Job	Memo	Tax
2-3030	GST Paid	\$5,793.00		clear ac	N-T
2-3050	Sales Tax Payable	-\$6,537.00		clear ac	N-T
4-2000	Wine Sales	\$6,537.00		adding to sales	N-T
2-3010	GST Collected	-\$5,104.00		clear ac	N-T
1-6300	Company Tax Instalments	-\$1,176.00			N-T
2-5000	Payroll Liabilities	-\$3,200.00		clear ac	N-T
2-3040	WET Distributor	\$5,800.00		clear ac	N-T

FIGURE 6 BAS ENTRY

The entry shown above is a little tricky because we have to clear the WET Distributor account. This amount does not show directly in the BAS (it is part of WET Refundable).

If you had a liability you would use spend money with the amounts the ATO owed you entered as negative numbers.

BAS Liabilities	
GST Collected	-\$0.24
GST Paid	\$0.27
WET Distributor	\$0.00
Sales Tax Payable	-\$0.06
Total BAS Liabilities	-\$0.03

FIGURE 7- BALANCE SHEET AFTER BAS

MYOB and Small Wineries - BAS

Above is a screen shot showing the BAS part of the Balance sheet after the BAS entry is made. The amounts will only show less than \$1 if you make the entry on the last day of the BAS period. It is not necessary to clear these to \$0, as suggested by MYOB because these “errors” carry forward and never build above \$1.

Let’s summarise the advantages of using this method for BAS

- It is self correcting.
- It is more accurate.
- It is far easier.
- It is self reconciling. (I refer to it as an eyeball reconciliation – you eyeball the less than \$1 amounts)

CASH BASIS

If you report GST and WET on the BAS on a cash basis then you will need to take the figures off the GST Cash report. I have outlined it above.