

Customer Deposits – GST Implications

Overview

This document has been compiled to explain in detail the options available to an Automation user when processing customer deposits. Our prime aim is to clarify the processing of the GST component for funds received prior to a job being completed or commenced.

Essentially there are 2 options, pay the GST on receipt of funds so the payment falls into the tax quarter when it was received. Alternatively place the client's account into credit and apply the payments when the job card is finalised and converted to a tax invoice, the GST will then be payable in the quarter the invoice was created.

It is our understanding both options are Australian Tax Office compliant when reporting GST on a cash or accrual basis. Below is the ATO ruling on the receipt and subsequent GST payment for deposits received, this advice is current as of April 2023, however we suggest you check the ruling with your tax advisor or directly with the ATO.

ATO Policy

GST is **not** payable when a deposit that is subject to forfeiture is received. It only becomes payable when a client pays for the goods or services or the deposit is forfeited. In other words, you don't charge GST when the deposit is paid, but rather when the client pays for the goods or services.

You only pay GST on the deposit itself if it is forfeited, meaning you would pay 10% of the deposit to the ATO in the period it is forfeited.

This document will explain in detail how to process payments for both scenarios

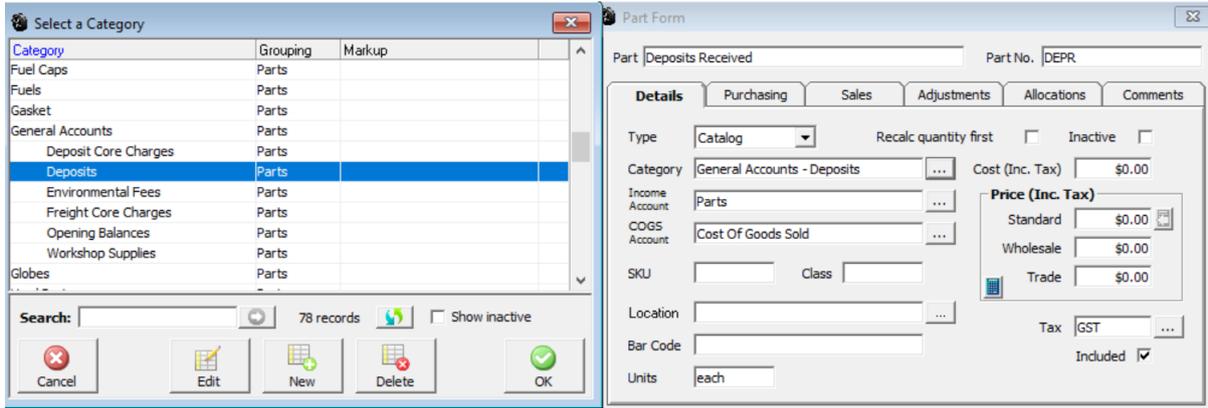
Option 1.

GST Payable In The Receipt Period

Introduction: This scenario requires you to create a charge invoice for the deposit using a catalogue line-item titled **deposits received**. The item has no cost and we suggest no fixed retail as the values received will vary, place the item on the charge invoice edit the value to be what is received, close the transaction so it becomes a tax invoice, then apply the monies paid.

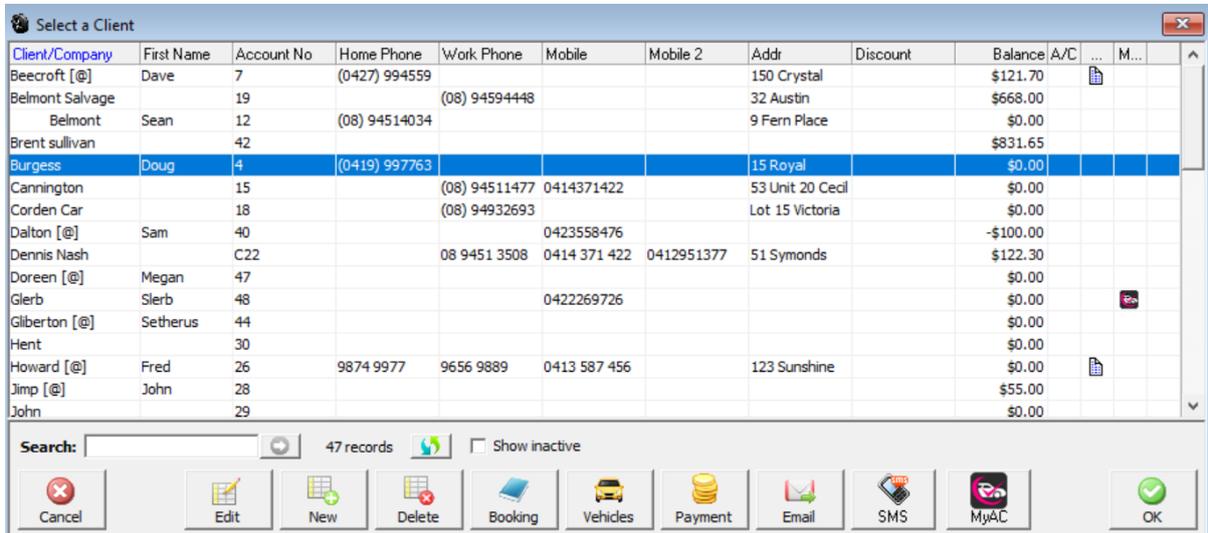
Creating A Deposit Item: Go to your parts listing, select new from the bottom of the list and create a catalogue item as per the screenshot below:

DEPOSITS & GST

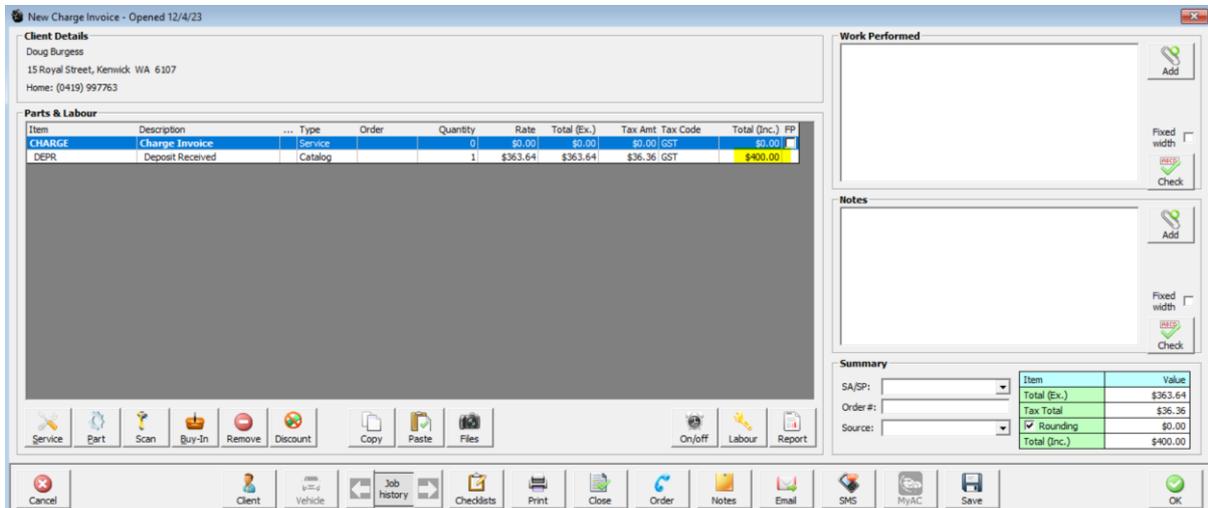


As you can see, we have also created a sub category for general accounts titled **deposits** which is applied to the part form, save this item to your parts listing.

Applying To A Charge Invoice: Go to the invoice option at the top of screen and select charge invoice from the menu, select the client from the list and click on OK (F12).

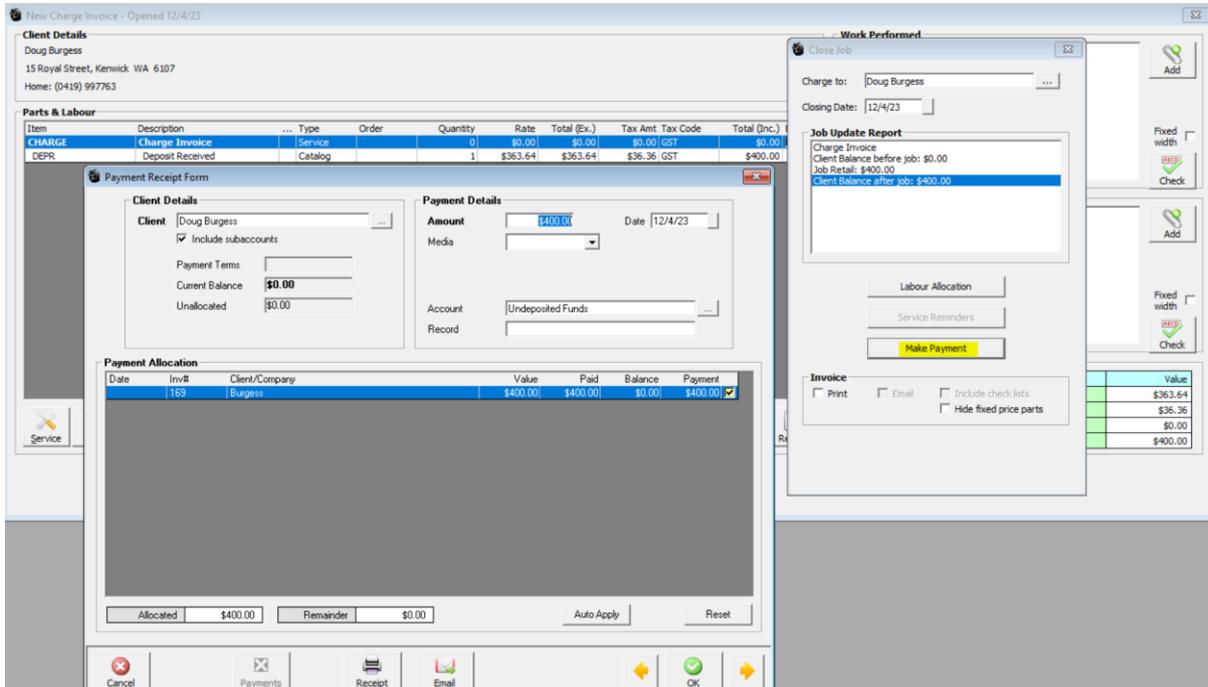


On the open charge invoice, enter the deposit received item by selecting the part button, searching for DEPR (Item) select so the deposits received item is in the parts / labour section, move to the end of the entry and enter the value of the deposit.



DEPOSITS & GST

In our example we have entered \$400.00, next you need to close the transaction and apply the payment. Select Close / Receive payment, the payment receipt form will automatically select the invoice and value, simply finalise with OK (F12)



GST Calculations Cash & Accrual: For both cash and accrual GST reporting the transaction has been recorded on the date the payment was actually processed. This is possible as we have created a **TAX INVOICE**, an open job card or open charge invoice is **NOT** a tax invoice it is classed as WIP (Work in progress) so both types of transaction have no posting to the GST payable account.

Tax liability reports (cash & accrual) prior to closing the charge invoice and receipting the \$400.00 payment – GST payable \$0.00

AA Automotives Tax Liability

12/04/2023

For the period 01/04/23 to 12/04/23. Cash basis.

Sales & Purchases			Purchases			Tax Component	
Sales			Purchases				
Total Sales (Inc Tax)	G1	\$0.00	Total Purchases (Inc Tax)		\$0.00	Sales	\$0.00
Total Sales (Ex Tax)		\$0.00	Total Purchases (Ex Tax)		\$0.00	Purchases	\$0.00
Tax Free Sales	G3	\$0.00	Tax Free Purchases		\$0.00		
			Capital Purchases (Inc Tax)	G10	\$0.00		
			Non-capital Purchases (Inc Tax)	G11	\$0.00	Debit/Credit	\$0.00

AA Automotives Tax Liability

12/04/2023

For the period 01/04/23 to 12/04/23. Accrual Basis.

Sales & Purchases			Purchases			Tax Component	
Sales			Purchases				
Total Sales (Inc Tax)	G1	\$0.00	Total Purchases (Inc Tax)		\$0.00	Sales	\$0.00
Total Sales (Ex Tax)		\$0.00	Total Purchases (Ex Tax)		\$0.00	Purchases	\$0.00
Tax Free Sales	G3	\$0.00	Tax Free Purchases		\$0.00		
			Capital Purchases (Inc Tax)	G10	\$0.00		
			Non-capital Purchases (Inc Tax)	G11	\$0.00	Debit/Credit	\$0.00

DEPOSITS & GST

Tax liability reports (cash & accrual) after closing the charge invoice and receipting the \$400.00 payment – GST payable \$36.36

AA Automotives
Tax Liability
12/04/2023
For the period 01/04/23 to 12/04/23. Cash basis.

Sales & Purchases			Purchases			Tax Component	
Sales			Purchases				
Total Sales (Inc Tax)	G1	\$400.00	Total Purchases (Inc Tax)		\$0.00	Sales	\$36.36
Total Sales (Ex Tax)		\$363.64	Total Purchases (Ex Tax)		\$0.00	Purchases	\$0.00
Tax Free Sales	G3	\$0.00	Tax Free Purchases		\$0.00		
			Capital Purchases (Inc Tax)	G10	\$0.00		
			Non-capital Purchases (Inc Tax)	G11	\$0.00	Debit/Credit	\$36.36

AA Automotives
Tax Liability
12/04/2023
For the period 01/04/23 to 12/04/23. Accrual Basis.

Sales & Purchases			Purchases			Tax Component	
Sales			Purchases				
Total Sales (Inc Tax)	G1	\$400.00	Total Purchases (Inc Tax)		\$0.00	Sales	\$36.36
Total Sales (Ex Tax)		\$363.64	Total Purchases (Ex Tax)		\$0.00	Purchases	\$0.00
Tax Free Sales	G3	\$0.00	Tax Free Purchases		\$0.00		
			Capital Purchases (Inc Tax)	G10	\$0.00		
			Non-capital Purchases (Inc Tax)	G11	\$0.00	Debit/Credit	\$36.36

By applying this method when receiving deposits, you can report the GST component in the period the deposit was paid.

Applying The Deposit To A Closed Job: The final task in this sequence of events is to apply the deposit received to the final invoice. It is suggested that you request your customer keep and present the original deposit invoice when making payment, you can of course always check whether a deposit was received either from the client card / history / jobs or the deposits received part form.

Part form record

Client form record.

DEPOSITS & GST

Place the deposit received item onto the job card and place a – (negative) as a prefix to the value received this will deduct the deposit paid from the total value of the invoice and of course nullify the GST already paid. Close the invoice and receive payment for the balance.

Job #165 - Opened 25/3/23 - Booked 25/3/23

Client Details: Doug Burgess, 15 Royal Street, Kenwick WA 6107, Home: (0419) 997763

Vehicle Details: Rego: 6GG884, 2000 Ford Falcon AU-II 4.0i 00/01, Key Tag: 3214, Odo: 77598, Loyalty: 16/10/02, Points: 139

Item	Description	Type	Order	Quantity	Rate	Total (Ex.)	Tax Amt	Tax Code	Total (Inc.)	FP
Key	Additional repairs	Service		1	\$114.55	\$114.55	\$11.45	GST	\$126.00	
104984-01	Piston 6180 1-2-3-4 Clutch	Catalog		1	\$429.00	\$429.00	\$42.90	GST	\$471.90	
1005-31	Engine Oil (1 Litre) Castrol	Inventory		5	\$3.27	\$16.35	\$1.64	GST	\$17.99	
DEPR	Deposit Received	Catalog		1	-\$363.64	-\$363.64	-\$36.36	GST	-\$400.00	

Summary Table:

Item	Value
Total (Ex.)	\$196.26
Tax Total	\$19.63
Rounding	\$0.01
Total (Inc.)	\$215.90

The result is a tax invoice with the additional GST being posted to your GST payable account and aligned reporting.

Tax Invoice Key Tag: 3214

Inv. No. 165	Date 12/4/23	Order No. -	Sales ID -
---------------------	---------------------	--------------------	-------------------

Client Details

Doug Burgess
15 Royal Street
Kenwick WA 6107

Vehicle Details

Registration: 6GG884 **Odo:** 77598
Make/Model: Ford Falcon AU-II 4.0i 00/01
Type: Sedan **Year:** 2000

Account 4	Home (0419) 997763	Work -	Mobile -
------------------	---------------------------	---------------	-----------------

Services, Parts & Labour

Mechanical

Qty	Description	Unit Price	Total (Ex)	Tax	Total (Inc)
1	Additional repairs	\$114.55	\$114.55	\$11.45	\$126.00
1	104984-01 Piston 6180 1-2-3-4 Clutch	\$429.00	\$429.00	\$42.90	\$471.90
5	1005-31 Engine Oil (1 Litre) Castrol Gbx2 15w-40	\$3.27	\$16.35	\$1.64	\$17.99
	Sj/of				
1	DEPR Deposit Received	-\$363.64	-\$363.64	-\$36.36	-\$400.00
			\$196.26	\$19.63	\$215.89

Financial Summary

Total (Ex. Tax)	\$196.26		
Tax Total	\$19.63	Paid	\$215.90
Rounding	\$0.01		
Total (Inc. Tax)	\$215.90	Balance	\$0.00

Thank You For The Business

DEPOSITS & GST

Tax liability report covering the deposit and final payment for both cash and accrual.

AA Automotives Tax Liability

12/04/2023

For the period 01/04/23 to 12/04/23. Cash basis.

Sales & Purchases			Purchases			Tax Component	
Sales			Purchases			Tax Component	
Total Sales (Inc Tax)	G1	\$615.89	Total Purchases (Inc Tax)		\$0.00	Sales	\$55.99
Total Sales (Ex Tax)		\$559.90	Total Purchases (Ex Tax)		\$0.00	Purchases	\$0.00
Tax Free Sales	G3	\$0.00	Tax Free Purchases		\$0.00		
			Capital Purchases (Inc Tax)	G10	\$0.00		
			Non-capital Purchases (Inc Tax)	G11	\$0.00	Debit/Credit	\$55.99

AA Automotives Tax Liability

12/04/2023

For the period 01/04/23 to 12/04/23. Accrual Basis.

Sales & Purchases			Purchases			Tax Component	
Sales			Purchases			Tax Component	
Total Sales (Inc Tax)	G1	\$615.89	Total Purchases (Inc Tax)		\$0.00	Sales	\$55.99
Total Sales (Ex Tax)		\$559.90	Total Purchases (Ex Tax)		\$0.00	Purchases	\$0.00
Tax Free Sales	G3	\$0.00	Tax Free Purchases		\$0.00		
			Capital Purchases (Inc Tax)	G10	\$0.00		
			Non-capital Purchases (Inc Tax)	G11	\$0.00	Debit/Credit	\$55.99

Option 2.

GST Payable On Invoice

Introduction: The second scenario assumes you elect to pay the GST collected on deposits when the job card or charge invoice has been converted to a TAX INVOICE.

Receiving Payments: You can receive deposit payments in 2 ways, firstly simply post the payment to the clients account via the payment receipt form or secondly you can allocate the subsequent payment directly to the open job card. Neither of the two options will post a GST value to the GST Payable account as payments are not being allocated to a TAX INVOICE.

Crediting The Customer Directly: This method will simply credit the customers account with the value receipted with no reference to the job it will eventually be allocated to. Go to Activities / Receive Payment, from the payment receipt form select the client, enter the value received, payment media and receiving account. You will see the value highlighted in red at the bottom of the form.

DEPOSITS & GST

Payment Receipt Form
X

Client Details

Client: ...

Include subaccounts

Payment Terms:

Current Balance:

Unallocated:

Payment Details

Amount: Date:

Media:

Account: ...

Record:

Payment Allocation

Date	Inv#	Client/Company	Value	Paid	Balance	Payment

Allocated

\$0.00

Remainder

\$400.00

Auto Apply

Reset

In this scenario when processing payment you will see the client has a value in the remainder field the current balance also has a negative prefix, enter the value of the invoice minus the deposit already paid. In the example we have entered \$125.25 (\$525.25 - \$400.00 Credit).

Job #170 - Opened 12/4/23 - Booked 12/4/23
X

Client Details

Doug Burgess

15 Royal Street, Kenwick WA 6107

Home: (0419) 997763

Vehicle Details

Rego: 6GG884 2000 Ford Falcon Au-3i 4.0i 00/01

Odo: 77598 Loyalty: 16/10/02 Points: 139

Work Done

Add

Fixed width

Check

Parts & Labour

Item	Description	Type	Order	Quantity	Rate	Total (Ex.)	Tax Amt	Tax Code	Total (Inc.)	FP
050k										
1005-31										
291										
26.52C										

Client Details

Client: ...

Include subaccounts

Payment Terms:

Current Balance:

Unallocated:

Payment Details

Amount: Date:

Media:

Account: ...

Record:

Payment Allocation

Date	Inv#	Client/Company	Value	Paid	Balance	Payment
	170	Burgess	\$525.25	\$125.25	\$400.00	\$125.25

Allocated

\$125.25

Remainder

\$0.00

Auto Apply

Reset

Close Job

Charge to: ...

Closing Date:

Job Update Report

Standard Invoice

Client Balance before job: -\$400.00

Job Retail: \$525.25

Client Balance after job: \$125.25

Service reminders (0)

Add

Fixed width

Check

Value

\$477.48

\$47.75

\$0.02

\$525.25

Invoice

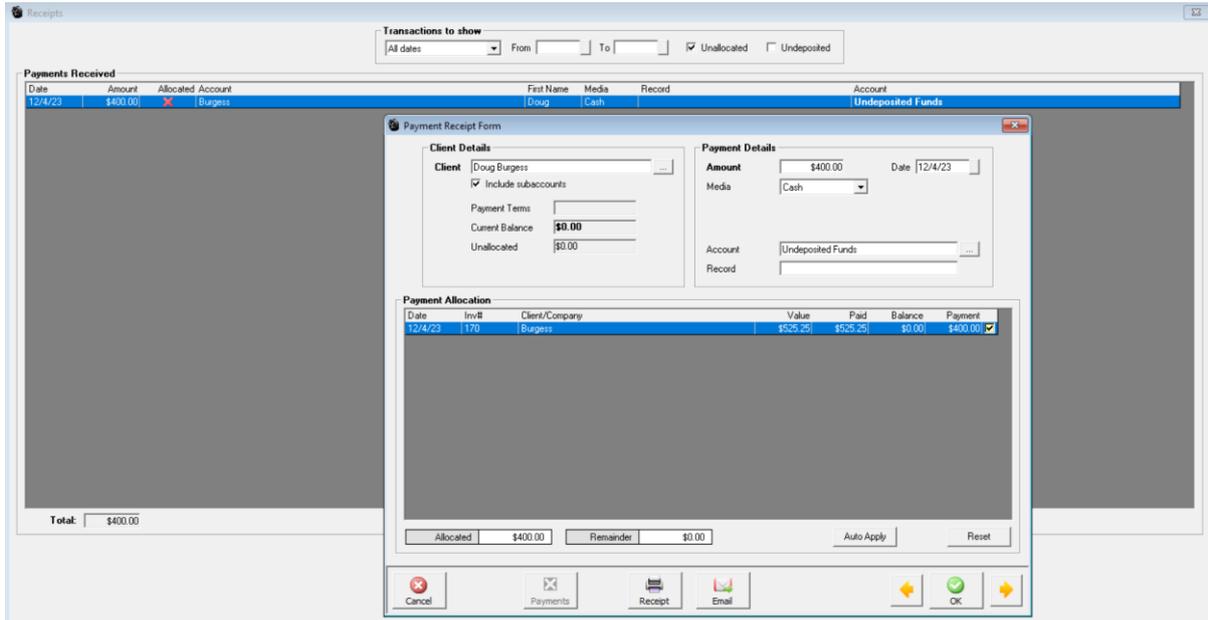
Print Email Include check lists

Hide fixed price parts

The final step is to allocate the deposit paid to the correct invoice, to do this again go to Activities / Receive Payment, locate the client, you will see the balance is zero as \$525.25 has already been received however the \$400.00 will still display in red in the remainder field. To allocate this select the

DEPOSITS & GST

payments option at the bottom of the display, you will now see the original deposit receipt, click on the line item and allocate to the invoice.



All receipts are now allocated to the TAX INVOICE with the GST values being posted to GST Payable and aligned reporting.

Cash

AA Automotives
Tax Liability
12/04/2023
For the period 01/04/23 to 12/04/23. Cash basis.

Sales & Purchases			Purchases			Tax Component	
Sales			Purchases			Tax Component	
Total Sales (Inc Tax)	G1	\$525.23	Total Purchases (Inc Tax)		\$0.00	Sales	\$47.75
Total Sales (Ex Tax)		\$477.48	Total Purchases (Ex Tax)		\$0.00	Purchases	\$0.00
Tax Free Sales	G3	\$0.00	Tax Free Purchases		\$0.00		
			Capital Purchases (Inc Tax)	G10	\$0.00		
			Non-capital Purchases (Inc Tax)	G11	\$0.00	Debit/Credit	\$47.75

Accrual

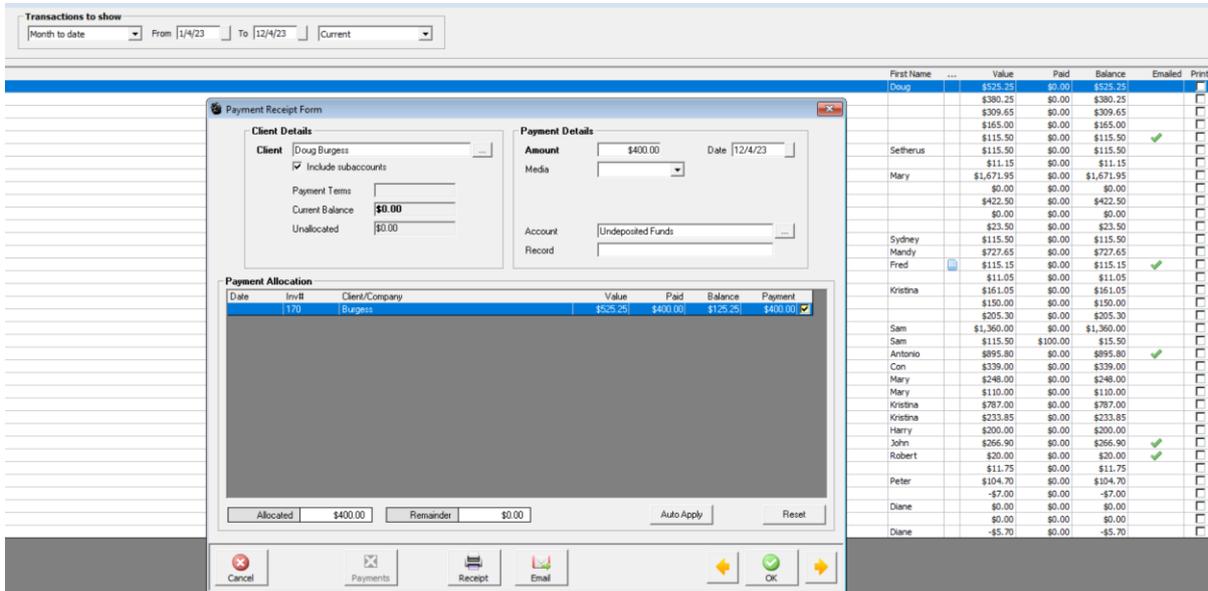
AA Automotives
Tax Liability
12/04/2023
For the period 01/04/23 to 12/04/23. Accrual Basis.

Sales & Purchases			Purchases			Tax Component	
Sales			Purchases			Tax Component	
Total Sales (Inc Tax)	G1	\$525.23	Total Purchases (Inc Tax)		\$0.00	Sales	\$47.75
Total Sales (Ex Tax)		\$477.48	Total Purchases (Ex Tax)		\$0.00	Purchases	\$0.00
Tax Free Sales	G3	\$0.00	Tax Free Purchases		\$0.00		
			Capital Purchases (Inc Tax)	G10	\$0.00		
			Non-capital Purchases (Inc Tax)	G11	\$0.00	Debit/Credit	\$47.75

Prior to the payments not being allocated to a TAX INVOICE no GST would have been recorded, if by mistake the \$400.00 was left unallocated then GST on a cash basis would only be payable on the \$125.25 allocated. On an accrual basis the full \$525.25 would generate a GST output posting.

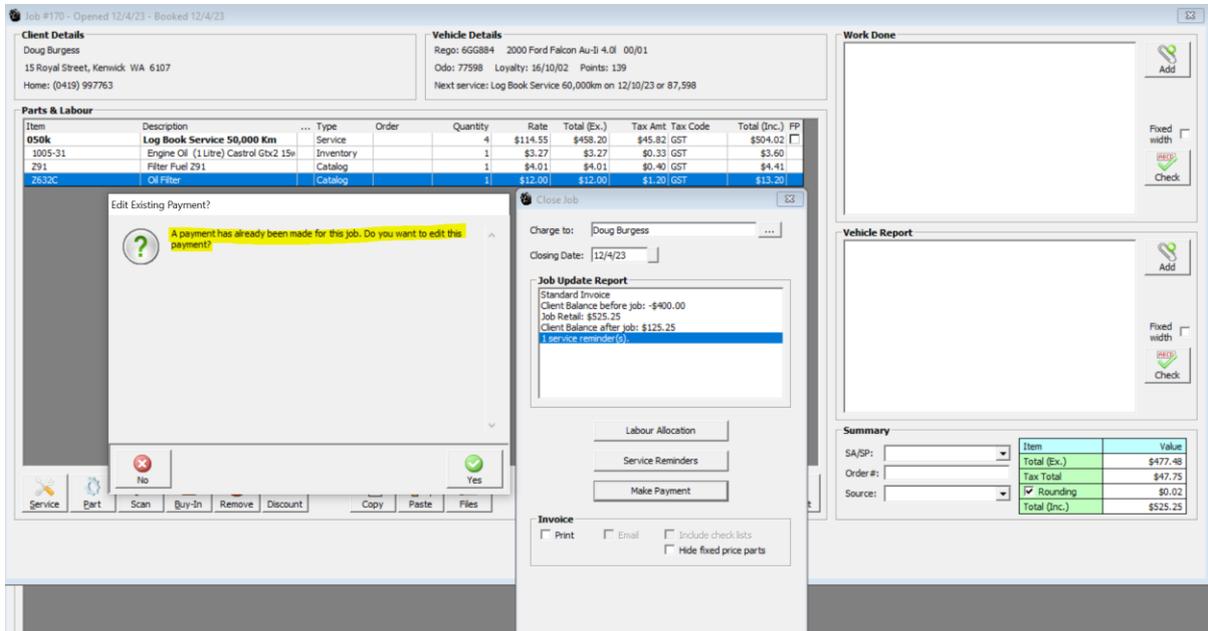
DEPOSITS & GST

Crediting A Customer Via The Job Card: Automation allows you to allocate payments that will subsequently be credited to a job directly to the open job card. This action will not generate a posting to your GST reporting as it is not being allocated to a TAX INVOICE.



This payment is an allocation only as it is not being credited to a TAX INVOICE.

Allocating A Deposit To The Invoice: When a deposit has been allocated to an open job card on selecting the make payment option when closing a message is displayed telling you that you have allocated payments to the open job to be credited to the TAX INVOICE you are now creating.



Selecting yes will allocated the payment previously received to the now created TAX INVOICE. The outstanding balance will need to be processed in a separate transaction via the payment receipt form.

Conclusion

It is important when handling pre-payments that you understand when the GST (output) liability becomes due. Automation posts to your accounts (including GST Payable) only **when a charge invoice or job card is finalised**, at that point it becomes a TAX INVOICE.

GST is only payable on tax invoices NOT on WIP (work in progress). With this in mind we have engineered Automation's accounting engine to comply with the current ATO rulings on deposits for both cash and accrual GST reporting.