
CLOSING A BUSINESS? DON'T FORGET THE GST REGISTRATION



Important requirements for business closers

If the current prolonged lockdown and economic conditions has prompted you to sell or close your business, beware that you must attend to cancelling your GST registration within a certain time unless your business is in a specific industry or performs a specific role.

Typically, unless you are a taxi driver/ride-sourcing, represent an incapacitate entity (ie an individual who is bankrupt or a comp any in liquidation and that entity is registered for GST), or is an Australian resident who acts as an agent for a non-resident that is registered (or required to be registered) for GST, you must cancel your GST registration within 21 days if you sell or close your business.

Remember, cancelling your GST registration will also cancel other registrations such as fuel tax credits, luxury car tax, and wine equalisation tax, even if the ABN is not cancelled. If you're registered for PAYG, PAYG instalments or have FBT obligations, you will need to keep lodging business activity statements (BASs) even if you cancel your GST registration.

While you can usually cancel your GST registration from the date that you choose (which should be the last day you want your previous business to be registered), you cannot cancel the registration retrospectively if you were still operating on a GST-registered basis after the date you chose. Similarly, if you chose a cancellation date and then continue to operate on a GST-registered basis, you will not be able to cancel the registration.

Obligations upon cancellation

When you cancel your business' GST registration, you'll be required to lodge any outstanding business activity statements and complete a final GST activity statement which should include all sales, purchases, and importations made in the final tax period. This should include:

- The sale of the business
- The sale of any of business assets
- Adjustments for any assets held after cancellation and/or;
- Any other adjustments.

For taxpayers operating on a cash basis, all the sales and purchases that still need to be attributed from a previous tax period will need to be recorded. For those taxpayers that are cancelling their GST registration because the business has been restructured, sold or closed, the associated ABN must also be cancelled. However, if a company was not restructured, sold or closed, but simply no longer carries on a business, then there is a choice for the business owner to keep the ABN registration. Nevertheless, the GST registration must be cancelled in those circumstances.

What about overseas businesses?

Overseas businesses that have been hit by lockdowns in various states may have seen their taxable supplies drop below the GST turnover threshold (ie \$75,000). In those instances, cancellation GST registration or associated ABNs need to be carefully considered as the business may still have Australian income tax obligations. This also applies if overseas businesses' taxable supplies fall below the GST threshold due to not being connected to the Indirect Tax Zone.

CONTACT

If you have any queries, please feel free to contact us.

Adam Mallabone
adam.mallabone@dlkadvisory.com.au

Ben Melin
ben.melin@dlkadvisory.com.au

David Lilja
david.lilja@dlkadvisory.com.au

DLK Advisory
Level 10, 99 Queen Street, Melbourne VIC 3000
T: +61 3 9923 1222
www.dlkadvisory.com.au