

# Making adjustments on your activity statements



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This publication was current at **November 2011**.

## ! TERMS WE USE

When we say:

- **sale**, we are referring to the GST term **supply**
- **purchase**, we are referring to the GST term **acquisition**
- **GST credit**, we are referring to the GST term **input tax credit**
- **payment** (made or received), we are referring to the GST term **consideration**
- **business**, we are referring to the GST term **enterprise**
- **reporting period**, we mean the **tax period** that applies to you.

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## MAKING ADJUSTMENTS

You may have to make changes to your current activity statement that increase or decrease how much GST you must pay for a reporting period. These changes are known as 'adjustments'.

There are two types of adjustments:

- **increasing adjustments**, which increase how much GST you must pay for a reporting period
- **decreasing adjustments**, which decrease how much GST you must pay for a reporting period.

! Correcting mistakes you made on an earlier activity statement is different from making an adjustment. For information on how to correct mistakes, refer to *Correcting GST mistakes* (NAT 4700).

## ADJUSTMENTS FOR ADJUSTMENT EVENTS

You may have to make an adjustment if an event called an 'adjustment event' occurs and this event results in a change to the amount of GST you must pay or GST credit you can claim. An adjustment event may occur on a sale or purchase that you made.

### ADJUSTMENT EVENTS FOR SALES

Adjustment events for sales include:

- a taxable sale you made is cancelled – for example, a customer returns goods and you refund them the purchase price
- the price of a taxable sale you make changes – for example, you provide a rebate to a customer
- an event causes your sale to become taxable – for example, goods you sell GST-free for export are not exported and become taxable
- an event causes your sale to stop being taxable.

### ADJUSTMENTS FOR SALES

You will need to make an adjustment for a sale if all of the following apply:

- during a reporting period, an adjustment event occurs for your sale
- you accounted for the sale in the activity statement for a previous reporting period
- as a result of the adjustment event, the GST amount you previously reported on the sale no longer reflects the correct GST amount.

### WORKING OUT ADJUSTMENTS FOR SALES

If you have an adjustment for a sale you made, the adjustment amount is the difference between the GST you:

- 1 paid, or were liable to pay, on the original sale
- 2 would have been liable to pay on the original sale if you had taken the adjustment event into account.

You have a **decreasing adjustment** if the amount of 1 is more than the amount of 2. This means you pay less GST for the reporting period.

You have an **increasing adjustment** if the amount of 2 is more than the amount of 1. This means you pay more GST for the reporting period.

### ADJUSTMENT EVENTS FOR PURCHASES

Adjustment events for purchases include:

- a purchase you made is cancelled – for example, you return goods you purchased and received a full refund
- the price of a purchase you make changes – for example, you receive a rebate on the purchase price
- an event causes your purchase to become creditable
- an event causes your purchase to stop being creditable.

## ADJUSTMENTS FOR PURCHASES

You will need to make an adjustment for a purchase if all of the following apply:

- during a reporting period, an adjustment event occurs for your purchase
- you accounted for the purchase in the activity statement for a previous reporting period
- as a result of the adjustment event, the GST credit amount you previously claimed no longer reflects the correct GST credit amount.

## WORKING OUT ADJUSTMENTS FOR PURCHASES

If you have an adjustment for a purchase you made, the adjustment amount is the difference between the GST credit you:

- 1 claimed for the purchase
- 2 would have claimed for the purchase if you had taken the adjustment event into account.

You have an **increasing adjustment** if the amount of 1 is more than the amount of 2. This means you pay more GST for the reporting period.

You have a **decreasing adjustment** if the amount of 2 is more than the amount of 1. This means you pay less GST for the reporting period.

➤ For more information about adjustment events, refer to *GSTR 2000/19 Goods and services tax: making adjustments under Division 19 for adjustment events*.

## WHEN TO MAKE ADJUSTMENTS FOR ADJUSTMENT EVENTS

If you must make an adjustment because an adjustment event occurred, you generally include the adjustment in the activity statement for the reporting period in which you become aware of the adjustment.

If you account for GST on a cash basis, you generally report adjustments in the activity statement for the reporting period in which you make the payment if both of the following apply:

- you have an adjustment that arises from an adjustment event
- you must make a payment as a result of the adjustment event.

If you only paid part of the required amount in a given reporting period, you report the adjustment in the activity statement for that reporting period only to the extent that you paid the required amount.

This means that if you don't pay any of the required amount in a reporting period, you don't report an adjustment amount in the activity statement for that period. If you pay only 50% of the required amount in a reporting period, you report 50% of the adjustment in the activity statement for that period.

➤ For more information on cash and non-cash accounting, refer to *Cash and non-cash accounting* (NAT 3136).

Generally, you must hold a valid adjustment note before you can make a decreasing adjustment because of an adjustment event. You do not have to hold an adjustment note for a decreasing adjustment if the amount of the GST adjustment is \$75 or less.

For example, an adjustment event that discounts the payment for the original sale of the goods or services by \$660 results in a decreasing adjustment (GST liability) of \$60. As this is below the \$75 threshold there is no need to issue an adjustment note. It is not required for attribution purposes either.

There may be other circumstances where you do not have to hold an adjustment note.

If you do not have an adjustment note when you lodge your activity statement the adjustment would have been reported in, you must report the adjustment in the first activity statement that you lodge after you received the adjustment note.

⚠ Even if you have received a document from a supplier that states it is an adjustment note, you cannot make a decreasing adjustment if the transaction did not include GST.

➤ For more information about adjustment notes, refer to *GSTR 2000/1 Goods and services tax: adjustment notes*.

## SALES AND PURCHASES NOT YET ACCOUNTED FOR

If you have an adjustment event, but you have not yet accounted for the relevant sale or purchase in an activity statement, you do not have to make an adjustment. In these circumstances, you can take the change into account when you first report the transaction on your activity statement. For example, if there is a price change, you will include the final amended price on your activity statement.

## BAD DEBT ADJUSTMENT

If you account for GST on a non-cash basis, you may have an adjustment relating to a bad debt if:

- you write off a bad debt relating to a taxable sale you made
- a debt relating to a taxable sale you made has been overdue for 12 months or more
- you recover an amount for a bad debt you had already written off
- you recover an amount for a taxable sale that was overdue for 12 months or more
- a debt you owe for a purchase that you could claim a GST credit for has been overdue for more than 12 months or is written off as a bad debt
- you pay a debt that has been overdue for 12 months or more or that has been written off as a bad debt, and you claimed (or could have claimed) a GST credit for the purchase.

➤ For more information about bad debt adjustments, refer to *GSTR 2000/2 Goods and services tax: adjustments for bad debts*.

## ADJUSTMENTS FOR CHANGES IN CREDITABLE PURPOSE

You may have to make an adjustment if the extent you use a purchase or importation for a creditable purpose changes over time or is different to what you planned.

You use goods or services for a 'creditable purpose' if you use them in your business. You do not use goods or services for a creditable purpose to the extent they are either:

- used to make input taxed sales
- for private or domestic use.

The 'creditable purpose' of a purchase changes if:

- there is a difference between how you planned to use the thing purchased and how you actually used it or
- the way you used the thing purchased changed in the adjustment periods.

### WORKING OUT ADJUSTMENTS FOR CHANGES IN CREDITABLE PURPOSE

The amount of the GST credit you can claim depends on the extent to which your purchase or importation is for a creditable purpose. You may use the purchase or importation for a creditable purpose more or less than you had planned or the extent to which you use the purchase or importation for a creditable purpose may change over time.

Adjustments are required for these differences between planned and actual use and changes in actual use because the amount of GST credits you have previously claimed on the purchase or importation will either have been too much or too little.

For most purchases and importations, you will not have an adjustment for a change in creditable purpose if the value of the purchase or importation was \$1,000 (GST-exclusive) or less.

For purchases and importations relating to business finance, you will not have an adjustment for a change in creditable purpose if the value of the purchase or importation was \$10,000 (GST-exclusive) or less.

The reporting periods relating to the activity statements you have to make these adjustments in are called 'adjustment periods'.

An adjustment period for a purchase or importation is a reporting period that both:

- starts at least 12 months after the end of the reporting period you claimed your GST credit in (or would have claimed your GST credit in had the purchase or importation been creditable)
- ends on 30 June (or if none of your reporting periods ends on 30 June, your reporting period that ends closest to 30 June).

⚠ If you cancel your GST registration, your final reporting period is also an adjustment period for purchases and importations. For more information, refer to *Leaving the GST system* (NAT 14829)

There are a maximum number of adjustment periods that apply to a purchase or importation (see Table 1).

**TABLE 1A: Adjustment periods for most purchases and importations**

Value of the purchase or importation (GST-exclusive)	Number of adjustment periods
\$1,001 to \$5,000	2
\$5,001 to \$499,999	5
\$500,000 or more	10

**TABLE 1B: Adjustment periods for purchases or importations that relate to business finance**

Value of the purchase or importation (GST-exclusive)	Number of adjustment periods
\$10,001 to \$50,000	1
\$50,001 to \$499,999	5
\$500,000 or more	10

To work out the adjustment amount, follow the steps below:

**Step 1:** Work out the extent to which you have used the purchase or importation for a creditable purpose during the period, starting from when you purchased it and ending at the end of the adjustment period. Work this out as a percentage.

**Step 2:** Work out one of the following as a percentage:

- if you have not previously had an adjustment for a change in creditable purpose, work out the extent you had originally planned to use the purchase or importation for a creditable purpose
- if you have previously had an adjustment, work out the extent to which you used the purchase or importation for a creditable purpose, in respect of the last adjustment.

**Step 3:** Compare the percentages worked out at Step 1 and Step 2.

You have:

- **an increasing adjustment** if the percentage worked out at Step 2 is more than the percentage worked out at Step 1 – this means you pay more GST for the reporting period
- **a decreasing adjustment** if the percentage worked out at Step 1 is more than the percentage worked out at Step 2 – this means you pay less GST for the reporting period
- **no adjustment** if there is no difference between the percentages worked out at Step 1 and Step 2 – this means you do not have to make an adjustment in the reporting period.

**Step 4:** Calculating increasing adjustments – if you have an increasing adjustment, the adjustment is worked out as follows:

- The full amount of GST credit × [percentage worked out at Step 2 less the percentage worked out at Step 1]

Calculating decreasing adjustments – if you have a decreasing adjustment, the adjustment is worked out as follows:

- The full amount of GST credit × [percentage worked out at Step 1 less the percentage worked out at Step 2]

! The 'full amount of GST credit' means the amount of GST credit you would have been entitled to claim for the purchase or importation if you had purchased it entirely for a creditable purpose.

**EXAMPLE: Calculating an adjustment for a change in creditable purpose**

Hollis is registered for GST and owns a bookshop. He purchases a computer to use in his business for \$1,500 (including \$136.36 GST) on 12 March 2007. The price of the purchase means it is subject to two adjustment periods (see 'Table 1A: Adjustment periods for most purchases and importations' on page 7).

Hollis reports and pays GST quarterly and claims a full GST credit for the computer in the reporting period 1 January 2007 to 31 March 2007 because he plans to use it 100% in his business.

So, Hollis's first adjustment period is the reporting period 1 April 2008 to 30 June 2008. To work out if he needs to make an adjustment in that reporting period, Hollis must compare:

- the extent to which he used the computer for business from 12 March 2007 to 30 June 2008 (expressed as a percentage)
- the extent to which he planned to use the computer for business (expressed as a percentage).

Hollis works out that he actually used the computer 80% for business and 20% for personal use from 12 March 2007 to 30 June 2008.

Hollis must make an increasing adjustment on his April to June 2008 quarterly activity statement to repay some of the GST credits he claimed because he:

- planned to use the computer 100% for business
- claimed a full GST credit for the GST included in the purchase price of the computer
- only used the computer 80% for business.

**EXAMPLE: Calculating an adjustment for a change in creditable purpose (continued)**

The increasing adjustment is calculated as follows:

- \$136.36 (the GST included in the purchase price of the computer) × 20% (the difference between 100% and 80%).

Hollis's second adjustment period is the reporting period 1 April 2009 to 30 June 2009. To work out if he needs to make an adjustment in that reporting period, Hollis must compare:

- the extent to which he used the computer for business from 12 March 2007 to 30 June 2009 (expressed as a percentage)
- the extent to which he said he used the computer for business from 12 March 2007 to 30 June 2008 (that is, the percentage worked out in respect of the last adjustment).

Hollis works out that he used the computer 50% for business and 50% for personal use from 12 March 2007 to 30 June 2009. This is less than the extent to which he used it for business in the first adjustment period (80%).

Hollis must make an increasing adjustment on his April to June 2009 quarterly activity statement to repay some of the GST credits he claimed. This adjustment is calculated as follows:

- \$136.36 (the GST component of the purchase price) × 30% (the difference between 80% and 50%).

➤ For more information, refer to:

- *GSTR 2000/24 Goods and services tax: Division 129 – making adjustments for changes in extent of creditable purpose*
- *GSTR 2006/3 Goods and services tax: determining the extent of creditable purpose for providers of financial supplies*
- *GSTR 2006/4 Goods and services tax: determining the extent of creditable purpose for claiming GST credits and for making adjustments for changes in extent of creditable purpose.*

## ANNUAL APPOINTMENT ADJUSTMENTS

You may be able to make an annual apportionment election. This choice means both of the following:

- you can generally claim a full GST credit for a purchase or importation that is partly for business use and partly for private use
- you do not have to estimate the amount you plan to use the purchase or importation for private use when claiming your GST credit.

➤ To find out if you can make an annual apportionment election, refer to *GST and annual private apportionment* (NAT 12877).

You still cannot claim a GST credit for a purchase or importation that is solely for a private or domestic purposes or that only relates to making input taxed sales.

If an annual apportionment election applies to a purchase which is used partly to make input taxed sales, or you provide, or are liable to provide any part of the purchase price, the GST credit you can initially claim is worked out as follows:

The GST included in the purchase price × the extent of non-input taxed purpose × the extent of payment

The extent of non-input taxed purpose is the extent to which the purchase does not relate to making input taxed sales, expressed as a percentage of the total purpose of the purchase.

The extent of payment is the extent to which you provide or are liable to provide payment of the purchase price, expressed as a percentage of the purchase price.

If an annual apportionment election applies to an importation which is used partly to make input taxed sales, the GST credit you can initially claim is worked out as follows:

The GST included in the purchase price × the extent of non-input taxed purpose

Annual apportionment elections do not apply to 'reduced credit purchases'

Reduced credit purchases are purchases of some types of things that relate to making input taxed financial sales. You can claim a reduced GST credit on reduced credit purchases.

➤ For more information about reduced credit purchases, refer to *GSTR 2004/1 Goods and services tax: reduced credit acquisitions*.

You must make an increasing adjustment in a later reporting period to account for your private use of the purchase or importation. The adjustment will increase the amount of GST you must pay or reduce your GST refund for the reporting period you make the adjustment in. You must make the adjustment in the activity statement that covers the due date for your income tax return or you may instead choose to make the adjustment in an earlier activity statement.

You may also have to make later adjustments to account for changes in how you use the purchase or importation. See 'Adjustments for changes in creditable purpose' on page 4.

An adjustment event or bad debt adjustment (see pages 2 and 4 respectively) may affect your annual apportionment adjustment for a particular purchase. This depends on whether the adjustment occurs before or after you make your annual apportionment adjustment on your activity statement.

### **ADJUSTMENTS BEFORE YOUR ANNUAL APPORTIONMENT ADJUSTMENT**

If you make an adjustment for an adjustment event or a bad debt for a purchase before you make an annual apportionment adjustment, you do not account for any private use of the purchase at the time you calculate the adjustment event or bad debt adjustment.

Instead, you work out the adjustment amount for the adjustment event or bad debt as though you did not use the purchase for private purposes.

You account for any private use of the purchase later when you make your annual adjustment, while also taking into account the effect of the earlier adjustment.

If, for example, you have a purchase that was cancelled or the whole amount was written off as a bad debt (and is subject to an adjustment event) you no longer have to make an annual apportionment adjustment. This is because your earlier increasing adjustment overrides the need to make an annual apportionment increasing adjustment.

### **ADJUSTMENTS AFTER YOUR ANNUAL APPORTIONMENT ADJUSTMENT**

If you make an adjustment for an adjustment event or a bad debt for a purchase after you make an annual apportionment adjustment, you work out the adjustment amount for the adjustment event or bad debt taking into account how much you used the purchase for private purposes.

For example, if you account on a non-cash basis and a purchase is written off as a bad debt after you have made an annual apportionment increasing adjustment to account for the amount of the purchase you use for private purposes. You only have to make a bad debt adjustment for the amount you use the purchase for business.

 For information on how to work out an annual apportionment adjustment refer to *GST and annual private apportionment* (NAT 12877).

# LESS COMMON TYPES OF ADJUSTMENTS

## THIRD PARTY PAYMENTS

This section explains less common types of GST adjustments.

You may have a third party payment decreasing adjustment in situations where you:

- supply a thing for re-sale, and
- make a monetary payment to a third party (the payee) in connection with the payee's purchase of that thing.

This adjustment occurs when you do not supply the thing directly to the payee but rather through a supply chain. The payee may have an increasing adjustment.

## COMPANY MERGERS

When two or more companies merge and continue as one company, this company must make any adjustments the companies would have had to make if they did not merge. This includes adjustments for changes in business use by the merged company compared with the company before the merger.

This does not include adjustments that the companies had to make before they merged.

## SALES OF THINGS YOU USED TO MAKE FINANCIAL SALES OR FOR PRIVATE PURPOSES

You may have a decreasing adjustment if you used a purchase solely or partly for private or domestic purposes or for making financial sales and you later make a taxable sale of that thing.

## PURCHASE OF GOING CONCERNS

If you purchase a business and the sale of the business to you is a GST-free supply of a going concern, you may have an increasing adjustment if you plan to make any sales through that business that are neither taxable nor GST-free. You may later have to make increasing or decreasing adjustments if the proportion of these sales changes over time.

➤ For more information refer to *GSTR 2002/5 Goods and services tax: when is a 'supply of a going concern' GST-free?*

## UNREDEEMED VOUCHERS

If you sell a voucher and the voucher's holder can redeem it for something up to the monetary value of the voucher, you may have an increasing adjustment if both of the following apply:

- the voucher is not redeemed
- you have, for accounting purposes, written back to current income any reserves for the redemption of the voucher.

➤ For more information, refer to *GSTR 2003/5 Goods and services tax: vouchers*.

## TRADEX SCHEME GOODS

If you are an importer, the Tradex scheme gives you an up-front exemption from Customs duty and GST on imported goods you plan to export.

If you hold a Tradex order, you may have an increasing adjustment if you deal with goods relating to that order differently from the way you would under the Tradex scheme.

➤ For more information about the Tradex Scheme, visit [www.ausindustry.gov.au](http://www.ausindustry.gov.au)

## REGISTERED GST

If you register or become required to be registered for GST, you may have a decreasing adjustment for stock you have already purchased.

## PROVIDING ADDITIONAL PAYMENT UNDER GROSS-UP CLAUSES

'Gross-up' clauses are commonly included in commercial agreements to allow a supplier to recover additional amounts from the recipient in circumstances where GST has been undercharged or not charged on the supply.

Where the Commissioner is entitled to recover unpaid GST from the supplier for periods beyond four years, the supplier may rely on such a gross-up clause to pass the burden on to the recipient.

Generally, there is a four-year time limit in claiming GST credits. If you provided additional payment under a gross-up clause, you may have a decreasing adjustment even if at the time of providing the payment you are no longer entitled to the credit because of the four-year time limit. You do not need an adjustment note to include the adjustment in your activity statement even if the additional payment you provided results in an adjustment event.

## CANCELLING YOUR GST REGISTRATION

If you stop being registered for GST, you may have increasing adjustments if you claimed or were entitled to claim, GST credits for assets that you still have at the time your GST cancellation takes effect. This is because the assets are being taken out of the GST system, which is similar to final consumption.

## ACCOUNTING FOR AND REPORTING ADJUSTMENTS

➤ For more information about less common adjustments, refer to:

- *Leaving the GST system (NAT 14829)*
- *GSTR 2004/8 Goods and services tax: when does an entity have a decreasing adjustment under Division 132?*
- *GSTA TPP 017 Goods and services tax: does a credit card chargeback by a financial institution against a merchant give rise to an adjustment event for the merchant?*
- *GSTA TPP 018 Goods and services tax: can an interest charge be a change in consideration and therefore an adjustment event (as opposed to a financial supply)?*
- *GSTA TPP 092 Goods and services tax: if a vendor sells a farm as a GST – free supply of a going concern and the farmland includes residential premises that are not part of the business, is an adjustment required under Division 135 of the GST Act?*
- *GSTA TPP 094 Goods and services tax: how is the final adjustment calculated when a building is renovated and the owner's GST registration is cancelled?*
- *GSTA TPP 095 Goods and services tax: are there circumstances in which repairs and additions to plant and equipment are not included as 'assets' for the purposes of an increasing adjustment under Division 138 of the GST Act upon cessation of registration?*
- *GSTA TPP 096 Goods and services tax: is there an increasing adjustment under Division 138 of the GST Act if an entity carrying on a farming business undertakes improvements to its farm land and subsequently cancels its GST registration?*

You can use either the accounts method or the calculation worksheet method to complete your activity statement for the reporting period.

### ACCOUNTS METHOD

If you use the accounts method, you work out the GST amounts for your sales and purchases from your accounts. You report these amounts on your activity statement.

### CALCULATION WORKSHEET METHOD

If you use the calculation worksheet method, you show the overall adjustment amount multiplied by 11 on the calculation worksheet at:

- G7 (adjustments) if you have an overall increasing adjustment
- G18 (adjustments) if you have an overall decreasing adjustment.

The worksheets in this guide allow you to record all your adjustments for a reporting period, so you can compare your total increasing adjustments and your total decreasing adjustments at the end of the period.

The amounts you report on your activity statement depend on whether you report on a cash or non-cash basis.

➤ For more information about the accounts method and the calculation worksheet method, refer to *Goods and services tax – completing your activity statement* (NAT 7392).

## WORKED EXAMPLES

### USING THE ADJUSTMENT WORKSHEETS

If you choose to use the calculation worksheet method with the adjustment worksheets to work out your overall adjustments for a reporting period, you can follow the steps below.

You may want to print the worksheets to work out your adjustment.

#### Step 1

Complete the sales worksheet.

#### EXAMPLE: Sales worksheet

Jim and Maria operate a hardware store and are registered for GST. They previously sold a toolbox to Alex and included the amount for the taxable sale of \$350 on a previous activity statement. Alex returns the toolbox when he finds it is not suitable and Jim and Maria agree to refund the full sale price. Jim and Maria show the refund against 'Cancellation of a sale' on the worksheet, as shown below.

Brian is a tradesman who puts his purchases from Jim and Maria on a monthly account. In the previous reporting period Jim and Maria made taxable sales on credit to Brian of \$3,600. Jim and Maria included this amount on their previous activity statement. When Brian pays his account on time, Jim and Maria offer a discount of 3%, or \$108. Jim and Maria show the discount against 'Reduction in amount for a sale because of a discount or rebate' on the worksheet, as shown below.

#### SALES WORKSHEET

(1) Adjustment for sales	(2) Amount for sales (before the change occurred) included at G1	(3) New amount for sales	(4) Increasing adjustment Fill in this column if (3) is more than (2). Subtract (2) from (3).	(5) Decreasing adjustment Fill in this column if (2) is more than (3). Subtract (3) from (2).
	\$	\$	\$	\$
Cancellation of a sale	350	0		350
Reduction in amount for a sale because of a discount or rebate	3,600	3,492		108
Sale has stopped being taxable				
Increase in amount for a sale				
Sale has become taxable				
<b>Total</b>				<b>458</b>

Transfer these totals to line 1 of adjustments summary worksheet.

#### Step 2

Transfer the totals from columns (4) and (5) of the sales worksheet to line 1 of the adjustments summary worksheet.

**Step 3**

Complete the purchases worksheet.

If an adjustment for a purchase occurs before you make any annual apportionment adjustment to the purchase, complete columns (2) and (3) without reducing the amounts to account for private use.

➤ For more information about the timing of adjustment events and annual apportionment, see 'Annual apportionment' on page 9.

**EXAMPLE: Purchases worksheet**

Jim and Maria return faulty electrical tools to their supplier. The tools cost them \$620, which they included on a previous activity statement to claim GST credits. Jim and Maria record the amount the supplier refunds to them in the 'Cancellation of a purchase' line of the worksheet (as shown below).

Jim and Maria purchased mowers for a total of \$10,000 in the previous period. They claimed GST credits for these purchases. They receive a volume rebate of \$830 from their supplier and record the rebate in the 'Reduction in purchase price because of a discount or rebate' line of the worksheet (as shown below).

**PURCHASES WORKSHEET**

(1) <b>Adjustment for purchases</b>	(2) <b>Purchase price</b> (before the change occurred) included at G10 or G11	(3) <b>Changed purchase price</b>	(4) <b>Increasing adjustment</b> Fill in this column if (2) is more than (3). Subtract (3) from (2).	(5) <b>Decreasing adjustment</b> Fill in this column if (3) is more than (2). Subtract (2) from (3).
	\$	\$	\$	\$
Cancellation of a purchase	620	0	620	
Reduction in purchase price because of a discount or rebate	10,000	9,170	830	
A purchase stops being creditable				
Increase in purchase price				
A purchase has become creditable				
<b>Total</b>			<b>1,450</b>	

Transfer these totals to line 2 of adjustments summary worksheet.

**Step 4**

Transfer the totals from columns (4) and (5) of the purchases worksheet to line 2 of the adjustments summary worksheet (see page 17).

**Step 5**

Complete the bad debts worksheet.

**EXAMPLE: Bad debts worksheet**

Jim and Maria sold building materials to Eugenio in a previous reporting period, which Eugenio now cannot pay for. Jim and Maria included \$1,500 in taxable sales to Eugenio on previous activity statements. As they cannot collect any of the debt, they write it off in their accounts. Jim and Maria record the amount they write off in the 'Writing off bad debts or debts overdue for 12 months or more' line of the worksheet (as shown below).

Some time ago, Jim and Maria also sold some timber to Dianne who was renovating her home. It was a taxable sale and they accounted for GST on the sale. When they could not collect the debt, Jim and Maria wrote it off and made an adjustment on their activity statement for that earlier period. Since then, Dianne's financial circumstances have improved and she makes a part payment of \$300. Jim and Maria record the amount they receive in the 'Recovering bad debts written off or debts overdue for 12 months or more' line of the worksheet (as shown below).

**BAD DEBTS WORKSHEET**

(1)	(2)	(3) Amount written off or recovered \$	(4) Increasing adjustment Same as in (3). \$	(5) Decreasing adjustment Same as in (3). \$
Sales	Writing off bad debts or debts overdue for 12 months or more.	1,500		1,500
	Recovering bad debts written off or debts overdue for 12 months or more.	300	300	
Purchases	Bad debts written off by your supplier or debts overdue for 12 months or more.			
	Payment of bad debts written off by your supplier or debts overdue for 12 months or more.			
<b>Total</b>			<b>300</b>	<b>1,500</b>

Transfer these totals to line 3 of adjustments summary worksheet.

**!** You must reduce an amount in column 3 if a bad debt relates to either of the following (generally speaking):

- a partly taxable sale
- a partly creditable purchase.

However, if you have purchased something partly for private purposes, and all of the following apply, you will need to calculate the column 3 amount without reducing it to reflect the intended or actual private use of the purchase:

- you have elected to use annual apportionment for the purchase
- you have a bad debt adjustment for the purchase
- the bad debt adjustment occurs before your annual apportionment adjustment.

**Step 6**

Transfer the totals from columns (4) and (5) of the bad debts worksheet to line 3 of the adjustments summary worksheet.

**Step 7**

Complete the creditable purpose worksheet.

➤ Do not make an adjustment during this step if you plan to make an adjustment during step 9 ('Work out adjustments for goods you use for a private purpose') for the same purchase.

**EXAMPLE: Adjustments for change in extent of creditable purpose**

Jim and Maria purchase a vehicle for \$35,000 to use in their business. However, as they plan to also use it for private purposes, they do not claim the full GST credit for the purchase. (Jim and Maria have not chosen annual apportionment.) At the time they purchase the vehicle, they estimate they will use it in their business 60% of the time.

At the end of the first adjustment period for the vehicle, Jim and Maria find from their log book that they have actually used the vehicle in their business 75% of the time since they purchased it. The percentage of their business use increases by 15% (75% minus 60%). They then multiply 15% by \$35,000, which comes to \$5,250. They record \$5,250 in column 8 of the creditable purpose worksheet, as shown below.

**CREDITABLE PURPOSE WORKSHEET**

(1) Description of purchase	(2) Date acquired	(3) Full purchase price (taking into account adjustments) \$	(4) Intended (or previously claimed) extent of creditable purpose %	(5) Actual extent of creditable purpose %	(6) Change in extent of creditable purpose %	(7) Increasing adjustment Fill in this column if (4) is more than (5). Multiply the amount in (3) by the % in (6). \$	(8) Decreasing adjustment Fill in this column if (5) is more than (4). Multiply the amount in (3) by the % in (6). \$
Vehicle		35,000	60	75	15		5,250
<b>Total</b>							5,250

Transfer these totals to line 4 of adjustments summary worksheet.

Jim and Maria have a total of five adjustment periods to track the way they use the purchase because:

- the value of the purchase was more than \$5,000 but less than \$50,000
- it did not relate to business finance.

### Step 8

Transfer the totals from columns (7) and (8) of the creditable purpose worksheet to line 4 of the adjustments summary worksheet.

### Step 9

Work out adjustments for goods you use solely for a private purpose.

If you purchase goods (such as items of trading stock) that you plan to use solely for business and claim GST credits for but you then use the goods solely for a private or domestic purpose, you have an increasing adjustment.

The amount you include G10 (capital purchases) or G11 (non-capital purchases) on an earlier activity statement for the purchase should be shown in line 5 of the adjustments summary worksheet.

 Do not make an adjustment under this step if you have made an adjustment under step 7 for the same goods in this reporting period or any earlier reporting period.

### Step 10

Work out any other increasing or decreasing adjustments and multiply them by 11. Also, work out any other decreasing adjustments and multiply them by 11. Show the results of these calculations at lines 6 to 10 of the adjustments summary worksheet.

 Annual apportionment adjustments are recorded at line 10 (other adjustments) of the Adjustments Summary Worksheet

### Step 11

Work out the overall adjustment for the reporting period multiplied by 11.

**EXAMPLE: Adjustments summary worksheet**

Jim and Maria have several adjustments that they work out using the different adjustment worksheets. They use the adjustments summary worksheet to work out their overall adjustment for the reporting period.

**ADJUSTMENTS SUMMARY WORKSHEET**

Line	Reason for adjustment	Increasing adjustment	Decreasing adjustment
Adjustments which you can work out using these instructions		\$	\$
1	Adjustments for sales following adjustment events		458
2	Adjustments for purchases following adjustment events	1,450	
3	Bad debts written off or recovered	300	1,500
4	Change in extent of creditable purpose		5,250
5	Goods used solely for private or domestic purposes		
Adjustments that may require more information			
6	Insurance settlements		
7	Company amalgamations		
8	Sales of things used to make financial supplies or used privately		
9	Sales of going concerns		
10	Other adjustments		
11	<b>Total</b>	<b>A</b> 1,750	<b>B</b> 7,208
	If <b>A</b> is more than <b>B</b> , subtract <b>B</b> from <b>A</b> and show the amount at G7		
	If <b>B</b> is more than <b>A</b> , subtract <b>A</b> from <b>B</b> and show the amount at G18		5,458

**Step 12**

If the total at A is greater than the total at B, transfer the difference to G7 of the calculation worksheet. If the total at B is greater than the total at A, transfer the difference to G18 of the calculation worksheet.



Do not enter an amount at both G7 and G18.

**EXAMPLE: Transferring to calculation worksheet**

Jim and Maria transfer the amount of \$5,458 from their adjustments summary worksheet to G18 (adjustments) of their calculation worksheet.

# WORKSHEETS

## SALES WORKSHEET

(1) Adjustment for sales	(2) Amount for sales (before the change occurred) included at G1 <sup>1</sup>	(3) New amount for sales <sup>1</sup>	(4) Increasing adjustment Fill in this column if (3) is more than (2). Subtract (2) from (3).	(5) Decreasing adjustment Fill in this column if (2) is more than (3). Subtract (3) from (2).
	\$	\$	\$	\$
Cancellation of a sale				
Reduction in amount for a sale because of a discount or rebate				
Sale has stopped being taxable <sup>2</sup>				
Increase in amount for a sale				
Sale has become taxable <sup>3</sup>				
<b>Total</b>				

Transfer these totals to line 1 of adjustments summary worksheet.

- 1 If the sale was partly taxable, include only the amount for the taxable part of the sale.
- 2 If the sale was previously taxable and stops being taxable, show zero in column (3).
- 3 If the sale was previously non-taxable and has become taxable, show zero in column (2).

**PURCHASES WORKSHEET**

(1) Adjustment for purchases	(2) Purchase price (before the change occurred) included at G10 or G11 <sup>1</sup>	(3) Changed purchase price <sup>1</sup>	(4) Increasing adjustment Fill in this column if (2) is more than (3). Subtract (3) from (2).	(5) Decreasing adjustment Fill in this column if (3) is more than (2). Subtract (2) from (3).
Cancellation of a purchase	\$	\$	\$	\$
Reduction in purchase price because of a discount or rebate				
A purchase stops being creditable <sup>2</sup>				
Increase in purchase price				
A purchase has become creditable <sup>3</sup>				
<b>Total</b>				

Transfer these totals to line 2 of adjustments summary worksheet.

- 1 If the purchase was partly creditable, include only the amount for the creditable part of the purchase.
- 2 If the purchase was previously creditable and stops being creditable, show zero in column (3).
- 3 If the purchase was previously not creditable and has become creditable, show zero in column (2).

**BAD DEBTS WORKSHEET**

(1)	(2)	(3) Amount written off or recovered <sup>1</sup>	(4) Increasing adjustment Same as in (3).	(5) Decreasing adjustment Same as in (3).
Sales	Writing off bad debts or debts overdue for 12 months or more.  Recovering bad debts written off or debts overdue for 12 months or more.	\$	\$	\$
Purchases	Bad debts written off by your supplier or debts overdue for 12 months or more.  Payment of bad debts written off by your supplier or debts overdue for 12 months or more.			
<b>Total</b>				
Transfer these totals to line 3 of adjustments summary worksheet.				

<sup>1</sup> If the bad debt relates to a partly taxable sale or a purchase which is partly for a creditable purpose, include only the amount that is written off or recovered for the taxable part of the sale or the amount that is written off or paid for the creditable part of the purchase.

**CREDITABLE PURPOSE WORKSHEET**

(1) Description of purchase	(2) Date acquired	(3) Full purchase price (taking into account adjustments)	(4) Intended (or previously claimed) extent of creditable purpose	(5) Actual extent of creditable purpose	(6) Change in extent of creditable purpose	(7) Increasing adjustment Fill in this column if (4) is more than (5). Multiply the amount in (3) by the % in (6).	(8) Decreasing adjustment Fill in this column if (5) is more than (4). Multiply the amount in (3) by the % in (6).
		\$	%	%	%	\$	\$
<b>Total</b>							

Transfer these totals to line 4 of adjustments summary worksheet.

**ADJUSTMENTS SUMMARY WORKSHEET**

Line	Reason for adjustment	Increasing adjustment	Decreasing adjustment
Adjustments which you can work out using these instructions		\$	\$
1	Adjustments for sales following adjustment events		
2	Adjustments for purchases following adjustment events		
3	Bad debts written off or recovered		
4	Change in extent of creditable purpose		
5	Goods used solely for private or domestic purposes		
Adjustments that may require more information			
6	Insurance settlements		
7	Company amalgamations		
8	Sales of things used to make financial supplies or used privately		
9	Sales of going concerns		
10	Other adjustments		
11	<b>Total</b>	<b>A</b>	<b>B</b>
	If <b>A</b> is more than <b>B</b> , subtract <b>B</b> from <b>A</b> and show the amount at G7		
	If <b>B</b> is more than <b>A</b> , subtract <b>A</b> from <b>B</b> and show the amount at G18		

## MORE INFORMATION

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For more information:

- visit our website at [www.ato.gov.au](http://www.ato.gov.au)
- phone us on **13 28 66**
- write to us at  
**PO Box 3524**  
**Albury NSW 2640**

If you do not speak English well and need help from us, phone the Translating and Interpreting Service on **13 14 50**.

If you are deaf, or have a hearing or speech impairment, phone us through the National Relay Service (NRS) on the numbers listed below:

- TTY users, phone **13 36 77** and ask for the ATO number you need
- Speak and Listen (speech-to-speech relay) users, phone **1300 555 727** and ask for the ATO number you need
- internet relay users, connect to the NRS on [www.relayservice.com.au](http://www.relayservice.com.au) and ask for the ATO number you need.

