

Expenses, GST, ATO, and Revenue Compliance in a Nutshell

A Comprehensive Guide





Foreword

GST rules can be complex, ATO and Revenue – a gauntlet. In this eBook, we demystify some of the facts around tax and expenses. The ATO has increased its assurance review activity under its [Justified Trust](#) framework that now encourages businesses to comply in order to obtain assurance

Nevertheless, the reality can sometimes be confusing and the penalties for getting it wrong – severe. Many businesses outsource their tax management to experts or muddle through, running the risk of non-compliance. There's a real need for unambiguous, helpful advice about expenses, GST, ATO, and compliance.

We've created this guide to help shine some light on the processes, practices and behaviours around tax and expenses based on some of the frequently asked questions we receive. When you get tax compliance right, not only will your business, the ATO, and Revenue become more confident of your process, recovering GST on your expenses can actually put money back in your budget.



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Keeping The Taxman Happy

There's a Common Misconception...

Most people assume ATO audit case officers are only interested in completed expense claims and associated receipts – but they're not. When the time comes to audit and/or review your business, the ATO will be looking at your entire travel and expense process from start to finish as part of good governance.

The secret to satisfying the taxman is having a full, end-to-end process in place with a robust tax control framework.





What is the ATO really interested in?

It reviews the whole process for weaknesses, focusing on the following six areas:

- A clear and enforced policy
- Appropriate approval processes
- Appropriate documentation
- Appropriate checks and controls
- Tax and GST compliance
- A robust and secure payment process

This is consistent with best practice in accordance with the [ATO's latest record keeping guide](#) in line with Managerial Level Control 4 – controls in place for data for GST.

- Not including invoices produced outside normal accounting systems
- Transaction classifications such as over-claimed international travel and entertainment expenses and claiming GST on total

invoice amounts when part of the transaction was not subject to GST

- Incorrect interpretation/review processes for amended legislation concerning taxable supplies
- Communication between related entities where GST credits are claimed for tax invoices created by recipient although no agreement has been established between the recipient and the supplier
- System related errors such as processing rebates incorrectly and using outdated formulas
- Business structure changes resulting in coding errors when merging two business systems and problems associated with technical understanding and interpretation of the GST legislation



Try [ATO's Record Keeping Evaluation Tool](#) to get a quick report outlining how well your company is keeping business records. Will only take 5-10 minutes to have swift evaluation that you can action if needed.



A Clear and Enforced Policy

A good policy covers what can and cannot be reimbursed to an employee when they're travelling for business. It sets up the ground rules: how your employees should travel for business and how you expect them to spend the company's money. It should also set out your mileage reimbursement rules (the ATO is particularly interested in this area). It's entirely up to an organisation as to what goes into that policy – but it's best practice to use your company policy as the basis of your travel and expense process and all spending decisions.

In summary, ensure your policy includes:

- Details of what is and what is not reimbursable
- Business travel guidelines
- Mileage and fuel rates for reimbursement
- Personal expenditure rules that cover circumstances and amounts as well as what is specifically excluded

Appropriate Approval Processes

The ATO requires that people at the right level in the business are signing off the right level of expenses – and they check that every expense form is appropriately signed off, so that the company accepts liability for that reimbursement. Even the most senior-level employees are required by the ATO to submit their expenses for approval.

An appropriate approval process includes:

- A fully traceable audit trail
- Evidence such as valid tax receipts and credit card slips



Time to create or update your policy?

Use this [Expenses Policy Template with tips and guidelines](#) as a starting point or to check you have thought of everything.



Appropriate Documentation

This includes a full and robust end-to-end record of forms, receipts and approval processes that stop things falling through the cracks. A business reason should be provided for why every line item was incurred, and every line item should be documented and supported by a receipt to show that the money has been spent. There should also be a signature to show that someone appropriate has checked that it complies with company policy.

Appropriate Checks and Controls

The ATO looks to make sure that appropriate checks and controls have been carried out on those completed forms. Typically, these checks are performed by your finance team or outsourced as an audit process to a third party.

There are no set rules on what you should be checking – but you should be able to fulfill the requirements above and have some kind of audit to make sure the right receipt is attached. When claiming back GST on employee expenses, receipts containing GST information should be attached.

These are the sorts of checks and controls that should be in place:

- A means of ensuring the claim has gone through the appropriate process
- Receipts have been checked including for tax invoice validity
- GST has been verified
- Mileage is substantiated

Don't have time to audit expenses internally? Learn more about [Audit Services](#).

During this process, the ATO wants to see:

- All employee expenses are accurately captured on the appropriate forms
- PAYG Variation Agreements are in place, if required
- Valid GST fuel receipts are available for mileage claims
- There is sufficient data to justify business expenses
- Personal items have been identified and dealt with correctly



Tax and GST Compliance

If you intend to recover the GST rightfully owed to your business, you need to ensure you collect the necessary tax receipts and that expenses are accurate and legitimately incurred.

A Robust and Secure Payment Process

The ATO will also check that the payment process is secure and safe from abuse. They will be looking for weak areas open to risk, and they might consider investigating these further during an audit.





Tricky GST rules

They say the two things you can be sure of in life, are death and taxes. GST was introduced to Australia over 20 years ago. It was supposed to be straightforward and simple. Yet many years later, some of the rules can still leave you scratching your head – and they're changing all the time.



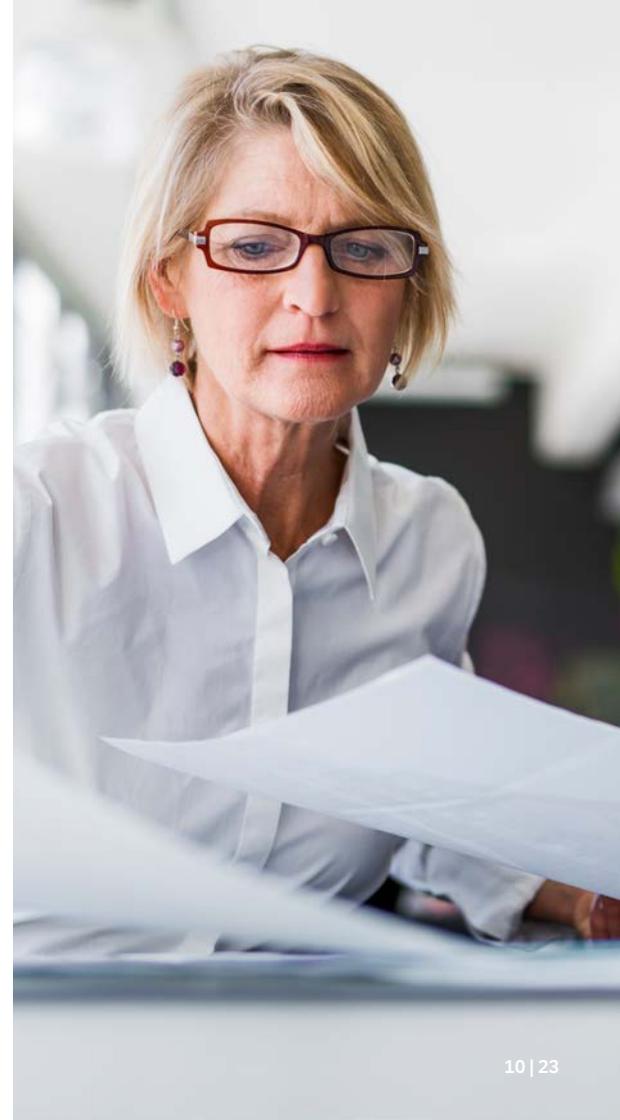


GST is Here to Stay

Confusion around GST is not going to disappear as more governments around the globe think of new and inventive ways of raising money – after all, GST is one of the largest source of tax revenue in Australia.

How Much Do You Know About GST?

- Did you know that any purchase in Australia over \$82.50 (GST incl.) needs a valid tax invoice, not just a till receipt, to recover the GST?
- Are you aware that in Australia you can only claim back GST on employee's expenses (and not on a contractor's expenses who you have hosted but isn't on your payroll)?
- Are you aware that you are not eligible to recover GST on non-deductible expenses such as certain forms of entertainment?





Frequently Asked Questions

Here are just a handful of the GST and expenses-related questions we get asked on a regular basis:

Can I reclaim GST on a taxi receipt? As long as a valid tax receipt is held. Is it true you can claim back GST on up to \$82.50 (GST incl.) worth of expenses without a receipt? No. A receipt is always required in order to validate any input tax credit claimed. However, it does not need to satisfy the tax invoice validity requirements if below the threshold.

How long do you need to keep GST receipts for? To protect your business, you will need to retain tax receipts for five years in Australia.

Will the ATO penalise those who don't keep receipts?

Yes, most probably. This would include denial of any input tax credit for the GST incurred until a valid tax invoice is held. If a credit was already recovered this would result in a GST shortfall with potential penalties and general interest charges applying.

If an employee is travelling on the road for business, but goes via the office, can they claim the full journey? Typically travel between your home and normal place of business is not considered a “business” journey by HMRC. Therefore, the business element of the journey starts at the office, not home.

[Learn more](#) about the ATO's GST related requirements.



International VAT

Did you know that VAT is recoverable in more than 40 countries around the world?

For companies who have employees that travel to any of those countries, there is a percentage of tax in many expense types that can be reclaimed when business travellers return to their home country.

However, billions of dollars in international VAT are unclaimed by companies each year.





Why Companies Don't Reclaim International VAT

1. They Don't Know They Can

Although the countries that allow VAT reclaim have well-established protocols in place, you won't be surprised to know that they're not always widely advertised. This, coupled with the fact that most companies have no idea about how much they can potentially reclaim, means VAT stays as a hidden cost.

2. Complex and Diverse VAT Legislation

Each country has the right to set its own rules and determine the process by which VAT can be reclaimed. But because the individual rules are different for each country, the process can be quite tricky. On top of this, many submission portals are inefficient and overly-complex, and the end result for most companies that try this method is a high rate of rejected claims.

3. Lack of Time and VAT Expertise

Because each country has different rules and processes in place, it is virtually impossible to find one person in your business that has all the knowledge required for complete and accurate VAT reclaim. In addition, language variations, changes in time zones and currency issues add further complexity. For these reasons, most companies assume that there is probably not much money to reclaim, and it would cost them too much to employ the team required to reclaim the VAT.

4. So What Can Companies Do?

There are many experienced companies with the resources and expertise needed to help you recoup VAT and inject cash back into the business – often at no cost to you, as their fees are simply a percentage of the cash claimed back on your behalf.

SAP Concur works with a range of tax specialists including:





Going Beyond GST

Compliance with ATO and Revenue guidelines, ensuring you're paying the right amount of GST, and having the information needed to report accurately to the ATO and Revenue are good ways to keep the taxman happy.

So what happens next? Here are a few things to think about beyond ATO and Revenue requirements to ensure that your company can take compliance to the next level.



1. Know What the ATO and Revenue is Focusing on for the Year Ahead

GST is a major source of income for the government. For the year ahead, the ATO and Revenue are likely to focus their efforts on recovering owed money where they can, by:

- Reducing tax evasion, fraud and avoidance
- Increasing collections of GST due
- Ensuring GST compliance
- Increasing risk-based auditing

2. Champion Compliance

Keeping up-to-date on the frequently changing GST rules is vital. Lead by example; run frequent spot-checks and spearhead compliance within your own company.

Finally, investigate the benefits of process and system improvements with third-party providers who can also offer a guaranteed compliance service.

3. Audit Expenses And Look Out for Fraud

Unfortunately, fraud is a real issue when it comes to employee expenses. One in five employees think it's okay to exaggerate their expenses for a range of reasons. When 99% of managers approve expenses without question, the onus is clearly on finance to safeguard against out-of-policy and illegitimate claims. Technology holds the key to ensuring this compliance.



4. Educate and Empower Employees

Employees are unlikely to comply with an expenses policy that they don't understand or perceive to be unfair, but it's possible to change minds by making it easy to claim expenses and by making sure that everyone understands why the policy is in place. When technology, people and policy work together, the process is simplified for everyone involved.

5. Get help

Tax can be, well, taxing. It can put a major strain on your staff in terms of time and satisfaction. Consider outsourcing to experts who understand GST rules, are trained in spotting and following up on errors, and can help you reclaim cash – that vital lifeblood of your business.

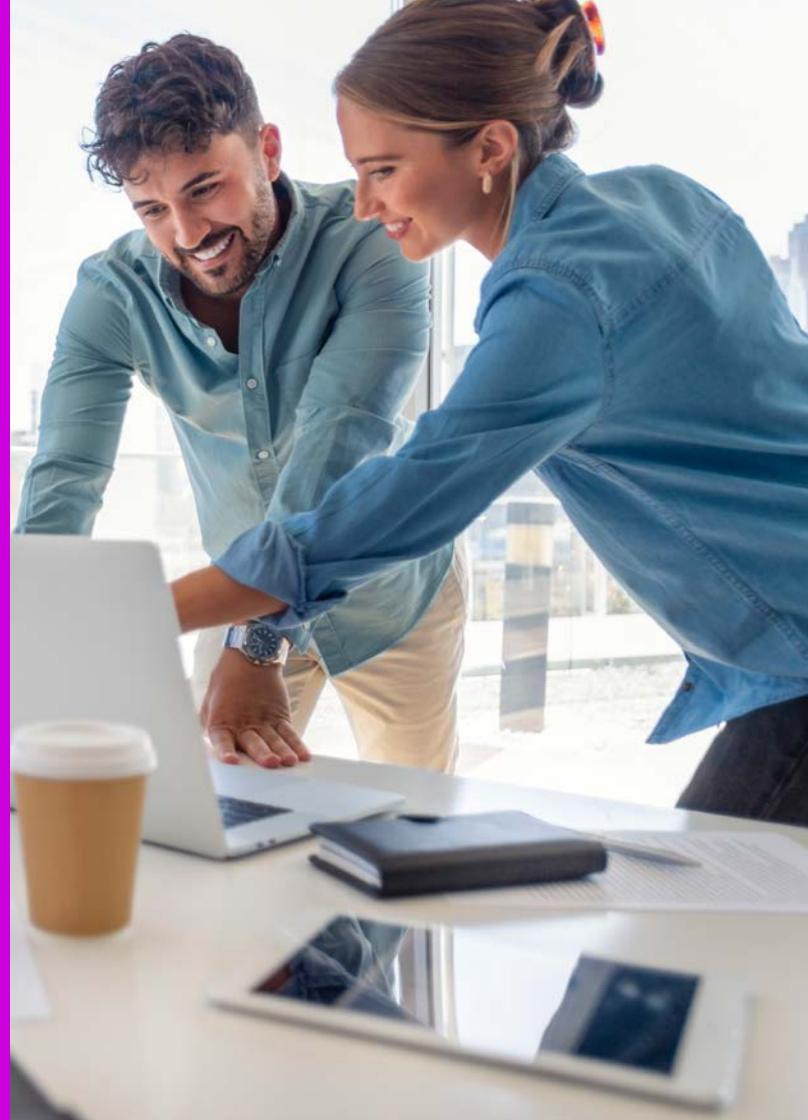


[Learn more](#) about how to ensure expense compliance with SAP Concur



How Can Technology Help?

With the best will in the world, if organisations are not effectively managing their employee expenses, they risk falling foul of ATO and Revenue requirements. You may have a robust expenses policy in place and a seemingly effective process to tackle that shoebox of receipts. But is that enough and is it really working for you?





There Must be a Better Way

[Expense management solutions](#) can help track the costs of business travel and related expenses in a way that increases transparency and efficiency. When combined with the power of a mobile app, it helps employees and their managers to be far more effective at: submitting expenses, ensuring they are within policy, approving expenses, and reporting on them to comply with ATO and Revenue regulations.

Cloud and Mobile Solutions Make it Simpler for Everyone

The easier it is to submit, approve and audit expenses, the quicker the end-to-end process becomes for all involved:

- **The business traveller** who can simply photograph, upload and attach all receipts to their claim while out of the office. They can even automatically populate their expense claims with accurate receipt data at the click of a button.
- **The manager** who can easily approve an expense claim while on the move, or reject individual line items that don't comply with policy. They're no longer the bottleneck in the approval chain delaying payment.

- **The finance controllers and admin staff** who have all the receipts to hand without having to spend hours rekeying data. They are more likely to have time to identify errors, check for appropriate GST recovery and pinpoint suspicious items.

The finance leader who is more likely to have confidence in the expenses process. They gain increased visibility of company-wide expenditure and can identify areas where savings can be made through [business intelligence](#) and reporting tools with powerful dashboards.



In short, smart collaboration using an automated system can help drive compliance throughout the organisation, making both individual travellers' and finance's lives easier and, more importantly, helping to manage the risk from the ever-changing landscape of regulatory compliance.

An automated solution provides:

- Complete management of the end-to-end process
- Built-in triggers and alerts
- An automated approval process
- Granular reporting so you can get a more complete view of company spend



[Try SAP Concur for free](#)



Next Steps

It may be easier to keep the taxman happy than you think. Complying with ATO and Revenue guidelines, ensuring you're paying the right amount of GST, and having the information available to report on employee expenses are key.

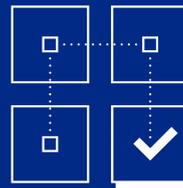


We hope you've found this guide useful on your journey to managing expenses, GST, ATO, and Revenue compliance more effectively.

As a takeaway, here are the next steps to consider:

1. **Put a system in place** that can quickly and accurately streamline the end-to-end travel and expense process, making it painless for all concerned.
2. **Build in your expenses policy** so every claim can automatically be checked by the system.
3. **Reduce manual data entry** by automatically extracting data from receipts and credit card feeds.
4. **Maximise GST recovery** by outsourcing and effortlessly exporting your expense data to a GST recovery expert.
5. **Use mobile, connected solutions** based in the cloud, to make it easy for employees and managers to complete and approve claims anywhere, at any time.

After all, managing expenses is about more than just balancing your budget. It's about introducing efficiency and cost control, understanding what your employees are spending to bring in new business, and having accurate, timely information available to make smarter decisions.



50-60% lower
processing costs

That's what some businesses have achieved by implementing an automated expense solution.



How SAP Concur Solutions Can Help

Expenses no longer have to be a headache for everyone involved – from the salesperson in the field, through to the manager authorising them, to the finance team dealing with the paperwork (not to mention the missing paperwork!).

[SAP® Concur® solutions](#) lets your business manage all your travel and entertainment expenses spend in one place. It allows employees to input their expenses on their smartphones, tablets or PCs, while comparing their claims against your policy, built into the system, indicating exceptions for manager approval. Managers can review and approve claims in the office or on the move.

You can also:

- Let employees book directly with preferred suppliers
- Automatically check every receipt against policy for [guaranteed compliance](#)

and to maximise GST recovery:

- Tap into numerous partner apps that help you work smarter
- Get detailed access to intelligent dashboards and reports

You can even [manage your company's invoices](#) through SAP Concur solutions. But that's a story for another day..



There's a wealth of information on our website. Visit our [Resource Centre](#) to learn more.



Want to Try a Better Way of Doing Expenses?

Not sure if automation would add value to your business? For a free consultation call (+61) 2 8294 5380 in Australia, and (+64) 800 44 7770 in New Zealand, or visit www.concur.com.au.

We can help you set up a pilot programme for your business, or explain what expense automation is all about.

About SAP Concur

SAP® Concur® is the world's leading brand for integrated travel, expense, and invoice management solutions, driven by a relentless pursuit to simplify and automate these everyday processes. The highly-rated SAP Concur mobile app guides employees through business trips, charges are directly populated into expense reports, and invoice approvals are automated. By integrating near real-time

data and using AI to analyse transactions, businesses can see what they're spending, improve compliance, and avoid possible blind spots in the budget. SAP Concur solutions help eliminate yesterday's tedious tasks, make today's work easier, and support businesses to run at their best.

Learn more at concur.com.au
or the [SAP Concur blog](#).