

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates, 2 June – 4 June 2009

**Question: bet 35**

**Topic: GST in the meat-processing industry**

**Hansard Page: E97**

**Senator Williams asked:**

**Senator WILLIAMS**—There is a serious problem with cash flow of the GST in the meat-processing industry. The problem is this: in the meat industry, if an abattoir—I will give you an example, Bindaree Beef at Inverell—go and buy livestock, they have to pay for livestock in seven days. If they buy on 25 May they have to pay on 1 June. They might buy half a million dollars a day of cattle so they pay \$50,000 GST. Then on 2 June they pay another \$50,000. As the month goes on by the end of the month they have got about \$1.2 million out in GST. The problem is when they sell their meat, whether it be fresh or export, they do not collect any GST. On 1 July they put a claim in to get their \$1.5 million of GST back; they will wait another two weeks and their GST will go up to probably \$2.2 million. It will peak at \$2.2 million, and then they will get their GST back—it might be \$1.5 million, so their GST outgoing will go back to \$700,000. It is a constant cash flow for them because that industry does not collect GST when it sells its product. Would you see anything wrong with having a situation where these abattoirs could have a seven day BAS period where perhaps each Monday they could lodge their GST with a couple of people in the ATO, electronically pay them two days later and then that peak instead of being \$2.2 million might be something like \$700,000 or \$800,000, which would free up \$1.5 million of cash flow at no cost to anyone? It would just be processing each week. I see that as a solution. How do you feel about that idea because it is a serious cash flow problem in our abattoir processing industry?

**Senator Conroy**—I think the cash flow issue is argued at length in the GST debate and your party voted for it—

**Senator WILLIAMS**—I know. That was promised today—

**Senator Conroy**—I am happy to take that on notice to see what the Treasurer or Mr Bowen would like to respond with.

**Answer:**

The Government does not support the proposal to introduce a seven day BAS period for the meat processing industry. A taxpayer must use a one month tax period where the taxpayer's GST turnover meets the tax period turnover threshold, which is \$20 million. Other taxpayers would generally have a tax period of three months but can elect a shorter one month tax period.

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Under a seven day BAS period the Australian Taxation Office (ATO) would be refunding meat processors the GST on their purchases well before the vendor had remitted the GST on the transaction. The proposal would therefore come at a cost to revenue.

The Commissioner of Taxation has advised that the ATO currently has a service standard of 14 days for the processing and issuing of BAS refunds, with a benchmark of 90 per cent of BAS refunds to achieve this standard. The ATO is consistently achieving better than this standard.

In the period 1 July 2008 to 30 May 2009 the ATO processed and finalised 98 per cent of all refunds for meat processing clients within 7 days of the BAS being lodged.