

# **JERSEY'S GOODS AND SERVICES TAX (GST)**

## **CASH ACCOUNTING SCHEME**

**GST**

**This leaflet is one of a series produced by the States of Jersey Taxes Office to explain various aspects of Jersey's Goods and Services Tax (GST).**

**It is relevant to all non-retail businesses making not more than £1,000,000 of taxable supplies (sales) in any 12 month period. (Retail businesses already enjoy the benefits of this scheme).**

The Cash Accounting scheme is **optional**, and businesses do not have to use it. Before choosing to apply for the scheme, business owners and managers are urged to consider carefully whether the accounting procedures they use are able to provide accurate figures for the GST return on a payment basis. The cost of changing accounting procedures may outweigh any benefits.

In designing a GST for Jersey, a key objective has been to achieve a tax that is as simple as possible for all concerned. In particular, it is the intention to minimise the administrative burden of GST on those businesses that are required to collect and account for the tax. The "Cash Accounting Scheme" is designed to simplify procedures for smaller businesses and to give them more flexibility in how they account for GST.

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# 1. Introduction

The Cash Accounting scheme is designed to benefit smaller businesses, particularly those selling to the public. (If you are a retailer, using the Retail Scheme, you already enjoy the advantages of Cash Accounting). To use the Scheme you must apply to the GST Team, Taxes Office. Approval will not be refused if you are eligible to use it (see 3. and 4. below).

Using standard GST accounting, the tax on sales you make is included in the return covering the time at which the supply is made (normally when you issue an invoice). The Cash Accounting scheme allows you to account for GST when you receive payment, which is usually later.

This means that you will not have to pay GST on sales to the Taxes Office until you have been paid by your customers. On the other hand, if you use this scheme you can only claim input tax on purchases and expenses when you pay for them.

You can apply to use Cash Accounting if your taxable turnover (not including GST) did not exceed £1,000,000 in the previous 12 months, and can then continue to use the scheme until your taxable turnover exceeds £1,200,000 in any 12 month period.

## 2. What is the Cash Accounting Scheme?

Using standard GST accounting, the tax on sales you make is included in the Return covering the time at which the supply is made.

Under this scheme, you complete GST Returns as normal, but include only those sales for which you have been paid (or part that you have been paid), and purchases and expenses for which you have paid your supplier (or part that you have paid). Your output tax is the GST on payments received for sales you have made, and your input tax is GST on the purchases and expenses you have paid for.

Once approved, you must use the scheme for all your sales unless otherwise agreed by the Taxes Office. If you have two separate business activities under a single GST registration, the Taxes Office will consider applications to use Cash Accounting for only a part of the business. (For example, a business with retail and wholesale businesses, where the accounting allows each part to be clearly identified).

Your accounting system must therefore be able to identify when payments are received and made, and provide the information you need to complete your GST Returns on this basis.

## 3. Who can use the Cash Accounting Scheme?

You can apply to use Cash Accounting if your taxable turnover (not including GST) did not exceed £1,000,000 in the previous 12 months, and can then continue to use the scheme until your taxable turnover exceeds £1,200,000 in any 12 month period.

You can exclude the value of capital asset sales from your turnover above, but need to account for GST when you are paid.

Once you are approved to use the scheme you can continue to do so without further approval unless your taxable turnover exceeds £1,200,000 in any 12 month period, you meet any the criteria in paragraph 4, or approval is withdrawn by the Taxes Office.

## 4. Who cannot use the Cash Accounting Scheme?

You cannot begin, or continue, to use Cash Accounting if:

- the taxable turnover of the business exceeded £1,000,000 in the previous 12 months;
- you use the Retail Scheme for more than 50% of your business (by turnover);
- you are registered for GST as part of a group registration;
- you have previously used Cash Accounting within the past 12 months and been made to leave the scheme by the Taxes Office;
- more than 20% of your purchases and expenses, or more than 20% of your sales, are from / to one or more "connected persons" \*;
- you are not up to date with your GST returns and payments;
- you are insolvent, en desastre or in administration.

\* "Connected persons" has the same meaning as in Article 3 of the GST Law 2007.

## 5. The pros and cons of the Cash Accounting Scheme

There are a number of reasons why the Cash Accounting Scheme can be beneficial to your business, but there are also some potential disadvantages.

### Benefits of cash accounting

- you will not have to pay GST on sales to Income Tax until you have been paid by your customers;
- you automatically have relief from GST on bad debts.

### Disadvantages of cash accounting

- input tax can only be claimed when you pay your supplier;
- your accounting system may not be able to calculate GST on sales and purchases on a payments basis – you should consider this carefully before applying.

## 6. Joining and starting Cash Accounting

To join the Cash Accounting Scheme, you must apply in writing to:

GST Team – Taxes Office  
Cyril le Marquand House  
P O Box 56  
St. Helier  
Jersey  
JE4 8PF

Email: [gst@gov.je](mailto:gst@gov.je)

Your first GST Return using Cash Accounting will be shown on the approval letter from the Taxes Office and will be the next Return period to commence after the date of approval, or a later period if you have requested this.

Once you have joined the Cash Accounting Scheme you must notify the Taxes Office within 30 days if there are significant business changes that may affect your eligibility to remain in the scheme (see paragraph 4. above). Examples include:

- if your turnover is, or is likely to be, more than £1,200,000 in the coming year, for instance if you buy another business or set up a new branch;
- if you become insolvent, en desastre or enter administration.

**On the first GST Return you make using Cash Accounting**, include in your sales figures (boxes 1 to 3), and GST on sales (Box 6), only those payments received for sales you have made during that GST period. Do not include any payments relating for sales included on an earlier GST Return.

In the same way, include in your purchases (Box 4) and input GST (Box 7) figures only payments you have made for purchases and expenses during that GST period. Do not include any payments made for purchases and expenses included on an earlier GST Return.

You may need to make similar adjustments for one or two further GST periods.

Imports of goods should always be accounting for on the GST Return (Box 5) covering the date on which the goods arrived in Jersey. If you receive services from outside Jersey you can choose to include the value in Box 5 either when you receive the services or when you pay for them.

## 7. How to leave the Cash Accounting Scheme

You may leave the scheme voluntarily at the end of any GST period by notifying the Taxes Office in writing before the end of that period.

You must leave the scheme at the end of the GST period if:

- your taxable turnover exceeds £1,200,000 in any 12 month period;
- the nature or structure of your business changes so that you expect turnover to exceed £1,200,000 in the 12 months ahead; or
- you meet any of the criteria at paragraph 4. above.

The Taxes Office may remove you from the Cash Accounting Scheme if you:

- calculate your GST incorrectly on two or more Returns (each case will be treated on its merits);
- are convicted of a GST offence;
- are assessed for a penalty for GST evasion.

**On your final return using Cash Accounting**, you must include sales GST on all your business debtors at the appropriate rate of tax, but can claim input tax on all your business creditors (where you have been charged GST). The next GST return must be completed using standard GST accounting.

If you leave the Cash Accounting Scheme, you cannot rejoin for at least 12 months.

## **8. When and how to pay cash accounting GST**

GST returns are due, and tax payable, in the normal way: by the last day of the month following the end of the GST period.

## **9. Using the Cash Accounting Scheme with other schemes**

If you use any of the following schemes you can continue to do so alongside Cash Accounting:

1. The Annual Accounting Scheme
2. The Margin Scheme for second-hand vehicles.
3. The Supply of Holidays Scheme.

**If you need further assistance please contact the GST Help Desk on:**

- (01534) 440555 during office hours,
- by fax on 789142
- or by e-mail [gst@gov.je](mailto:gst@gov.je).