



BAS refund

What to do when expecting a business activity statement (BAS) refund as a credit.

Last updated 2 November 2021

If you're expecting a business activity statement (BAS) refund as a credit, there are circumstances when there could be a delay or offset against a tax debt.

After we have processed your business activity statement (BAS), either:

- you will owe money (a tax debt), or
- we will owe you money (a refund).

Occasionally, you may not receive your refund or the refund you receive may be less than you expected.

The word 'credit' on this page refers to both a credit and a running balance account surplus (e.g. on your integrated client account).

Why we have kept your refund



When we are entitled to retain part of, or all your refund.

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Why we have kept your refund

When we are entitled to retain part of, or all your refund.

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There are situations when we are entitled to retain part of, or all your refund.

- We may apply part, or all, of your refund against a tax debt that you owe us – this is known as offsetting.
- We may firstly offset your credit against your tax debt, and then also receive a payment from you for that same tax debt. As a result, your account may be placed in credit. The payment you made is treated as a voluntary payment in anticipation of a tax debt, which we generally don't automatically refund.
- We will keep your refund if you haven't nominated a bank account for us to pay your refund into, or the bank account details you

provided are incorrect or incomplete.

- We will keep your refund if you have not lodged one or more of your BAS.
- We can keep your refund because we need to check or verify details shown on your return or BAS. In these circumstances, we will contact you.

See also:

- Incorrect or incomplete bank account details
- Outstanding activity statements
- Checking refunds
- Update your details
- Taxation Administration Act 1953 *Part IIB – Running balance accounts, application of payments and credits, and related matters*

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Offsetting

How to use offsetting to pay off an outstanding debt.

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Using a credit or refund for an outstanding debt

Offsetting is where we use a credit from one account to pay off a debt on another account. The account may be with us or another government agency. Generally, offsetting is automatic, and we offset credits against tax debts before debts with other government agencies.

Many business taxpayers have a range of different accounts for their various tax obligations. Generally, if we owe you money, we are required to refund that amount to you. You may, however, receive a reduced refund or no refund at all because you have an outstanding debt with:

- us for another type of tax – for example, we may offset your BAS refund against your income tax debt
- us for previously **debts on hold** – for example, we are required to offset credits to reduce outstanding tax debts (except in certain circumstances), including debts we previously put on hold
- another government department – for example, we may offset your BAS refund against a debt you have with Services Australia.

We will usually apply all or part of your refund to reduce the debt. In certain circumstances, we don't have to offset amounts including when the amount owing is:

- due but not yet payable
- subject to a payment arrangement and you are complying with that arrangement
- an amount we have agreed to defer recovery action on, and
- debts which relate to director penalties.

If any of the above situations applies to you, we may refund the full or partial amount if it is appropriate to do so. However, we encourage you to contact us before or at the time of lodging your BAS or your income tax return if you think one of the above situations apply to you.

Notifying you

We will notify you about your offset. If we use your refund to offset an amount owed to another government department or agency, they will also notify you that we have paid an amount on your behalf.

Find out about:

- Voluntary payments
- Incorrect or incomplete bank account details
- Outstanding activity statements
- Checking refunds

See also:

- PS LA 2011/21 *Offsetting of refunds and credits against taxation and other debts*
- Non-pursued debts

Offsetting for GST branches and PAYG withholding branches

The following information will help you understand how offsetting operates for GST branches and pay as you go (PAYG) withholding branches.

When an entity registers a branch for GST or PAYG withholding purposes, the entity is called the 'parent entity'.

Each branch has a separate integrated client account distinct from the parent entity's integrated client account. An integrated client account may also be referred to as a branch or business activity statement account.

From 1 January 2022, automatic offsetting will apply to all GST branches and PAYG withholding branches. If there is a credit on an integrated client account, it will automatically be used to reduce a debt firstly on other integrated client accounts of the parent entity.

We will then use remaining credits on any integrated client account and apply them against debts on the other accounts of the parent entity, such as fringe benefits tax and income tax accounts.

Any amounts offset to other accounts will appear on the relevant statement of account.

Example 1: offsetting for GST branches and PAYG withholding branches

Sam owns a coffee shop franchise which he runs with his wife (the parent entity). Sam also owns a coffee shop franchise managed by his daughter, Abby and he owns another franchise managed by his son, Joe.

Each franchise has a separate accounting system, but they are all owned by Sam with the same tax file number (TFN) and Australian business number (ABN). Sam chooses to register the franchises as branches.

Sam and each branch lodges a BAS. As a result:

- Sam has a \$22,000 amount refundable (credit)
- Abby's branch has a \$2,000 amount payable (debt), which remains unpaid
- Joe's branch has a \$1,000 amount payable (debt), which remains unpaid.

The branches are part of the same parent entity and offsetting between the accounts will occur when a credit in one account is available to offset against a debt in another account.

The credit on Sam's account is offset against the outstanding debts in the branch accounts of Abby and Joe. Sam receives a \$19,000 refund for the coffee shop he runs with his wife, and the branch accounts of Abby and Joe have a \$0 balance.

If the branches relating to the franchises run by Abby and Joe had paid all amounts due before the offsetting occurred, Sam would have been refunded \$22,000.

See also:

- GST branches
- GST branches, groups and non-profit sub-entities

Offsetting for GST joint ventures

The following information will help you understand how offsetting will operate for GST joint ventures.

From 1 January 2022, automatic offsetting will apply to all GST joint ventures. If an entity is a GST joint venture operator, credits on any of

the entity's accounts will be automatically offset against tax debts on any of their other accounts. This includes GST joint venture accounts and the entity's own integrated client account, fringe benefits tax and income tax accounts.

If you are the operator of multiple joint ventures, we will use credits on one joint venture account to offset against tax debts on another joint venture account.

The amount refundable to a participant of a GST joint venture will not be offset against another participant's tax debts. Also, a credit of a participant (who is not the operator) of a GST joint venture will not be automatically offset against a tax debt on the operator's GST joint venture account.

Any amounts offset to other accounts will appear on the relevant statement of account.

Example 2: offsetting for GST joint ventures

An operator and two participants form a GST joint venture. Both the operator and participants are not members of any other GST joint venture.

The operator now has two reporting responsibilities:

- their own accounts
- a separate account for reporting obligations for the joint venture.

BAS lodgments are made, and as a result:

- the joint venture operator has a \$750,000 amount refundable (credit) on its GST joint venture account
- the operator also has a \$150,000 amount payable (debt) on its own integrated client account which remains unpaid
- the first participant has a \$50,000 amount payable (debt) on its income tax account which remains unpaid
- the second participant has a \$100,000 amount refundable (credit) on its own integrated client account.

The \$150,000 tax debt owed by the operator is automatically reduced when the \$750,000 credit in the operator's GST joint

venture account is applied against the debt.

The remaining amount of \$600,000 is refunded to the operator. The operator now has a \$0 balance. The first participant still has an outstanding debt of \$50,000.

If credits weren't available on the GST joint venture account, the second participant's credit of \$100,000 would not have been automatically offset against the operator's tax debt. It also won't be applied against the first participant's tax debt.

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Voluntary payments

Making voluntary payments in anticipation of a future tax debt.

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Making an early payment

We use the term 'voluntary payment' to describe situations where you make a payment to us in anticipation of a tax debt that you will owe in the future. Generally, we will not refund this amount to you unless you ask.

Example: payment in anticipation of tax debt

Julie makes a payment in anticipation of her income tax liability before the required lodgment date of her annual tax return. This payment will temporarily place Julie's income tax account into credit.

Julie finds she needs that money, so she asks the ATO to refund it. As her income tax liability has not become due for payment, and she doesn't have any other tax debts, we decide to refund the voluntary payment.

Income tax refund and activity statement debt

If you have an income tax refund and an activity statement debt, we may offset it if events occur in the following order:

- we process your activity statement and you have a debt
- we process your tax return and you are due for a refund
- we have not yet received your payment for the activity statement debt.

Example: offset and voluntary payment

Barry lodges his fourth quarter business activity statement. It is processed on 7 July and results in a tax debt on Barry's activity statement account for \$2,500. This amount is not due to be paid until 28 July.

Barry then lodges his tax return expecting a refund of \$1,000. When we process Barry's return on 24 July, we record a credit of \$1,000 on Barry's income tax account and issue a notice of assessment to him.

As Barry has not paid his activity statement account debit by 24 July, we offset Barry's income tax credit of \$1,000 against the \$2,500 debt on his activity statement account, even though his activity statement debt is not yet due for payment.

The income tax notice of assessment provides details of this offset. This means Barry will not receive the \$1,000 income tax

refund he was expecting.

While waiting for his income tax refund, Barry sends a payment of \$2,500 on 25 July to pay his activity statement debt. However, Barry's activity statement debt has already been reduced by \$1,000 after we offset his income tax refund against the debt. The payment of \$2,500 will place his activity statement account into credit for \$1,000. Given Barry paid the amount to us, we consider it to be a voluntary payment in anticipation of a future liability and will not automatically refund it. Generally, we will keep this amount as a credit on Barry's activity statement account unless he asks for it to be returned.

Small credit balances

We may refund small credit balances, including some voluntary payments, when we undertake bulk account maintenance to clean up our accounts.

Find out about:

- Offsetting
- Incorrect or incomplete bank account details
- Outstanding activity statements
- Checking refunds

See also:

- *PS LA 2011/22 Refunds of running balance account surpluses and credits – Commissioner's discretion to retain refunds and the discretion to pay refunds in a different way*
- *Taxation Administration Act 1953 Part IIB – Running balance accounts, application of payments and credits, and related matters (section 8AAZL)*
- *Taxation Administration Act 1953 Part IIB – Running balance accounts, application of payments and credits, and related matters (section 8AAZLF)*

Incorrect or incomplete bank account details

How to ensure your bank account details are correct.

Last updated 2 November 2021

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We pay your refunds into your nominated financial institution account, unless there's a good reason to refund the amount in a different way.

This means we will usually retain your activity statement refunds until you have provided us with your financial institution account details. We will also retain these refunds if your nominated financial institution account details are incorrect or incomplete.

Account details

Ensure you:

- provide us with your current Australian financial account details including your account name, BSB and bank account number. Generally, once we have the correct details, we can automatically issue your refund.
- quote your account details correctly when you apply for your Australian business number (ABN), or when you update your account details.

Incorrect name

We will consider that a financial institution account is incorrect if it is held in the incorrect name.

Table: particular entity types, examples of accounts that are held in correct or incorrect names

Entity type	Accepted accounts	Incorrect accounts
Company	The company Trading name	Director name
Partnership	The partnership, that is, all of the partners Executor for the partnership	An individual partner
Individual (sole trader)	The individual sole trader Trading name The sole trader and another individual	Another individual
Trust	The trust The trustee in their capacity as trustee.	Beneficiary or beneficiaries names

Paying a different way

In some circumstances we may pay an activity statement refund to you in a different way. For example, we will pay an activity statement refund by cheque if you hold religious beliefs that prevent you from having a bank account. We may also pay an activity statement refund into a third-party bank account that you nominate if the third party has a close legal relationship with you.

Find out about:

- Offsetting
- Voluntary payments

- Outstanding activity statements
- Checking refunds

See also:

- Update your details
- PS LA 2011/22 *Refunds of running balance account surpluses and credits – Commissioner's discretion to retain refunds and the discretion to pay refunds in a different way*
- Taxation Administration Act 1953 Part IIB – *Running balance accounts, application of payments and credits, and related matters (section 8AAZLH)*

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Outstanding activity statements

Lodge your outstanding activity statements to ensure your refund will be issued.

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To receive your refund, make sure you have lodged **all** your outstanding activity statements. We won't issue a refund if you haven't lodged all your activity statements that were due before the refund is payable.

For example, we won't give you a refund arising from your June activity statement if you haven't lodged your May activity statement.

The best way to have your refund released is to lodge your outstanding activity statements. However, we may release your refund if you can show us that the retaining of the refund will cause you serious financial hardship or significantly impact your business's viability.

Next step:

- Due dates for lodgment and payment

Checking refunds

Why we may need to check your refund.

Last updated 1 May 2025

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Why we check refunds

While we process more than 98% of refund claims without any problem, every year we select a small proportion of BAS refunds to check the accuracy of the information provided. To ensure refund claims are correct, we verify information provided on the BAS against information on our systems and may contact other parties such as banks, employers, customers and suppliers.

We may stop to check your refund based on:

- the size of the refund being claimed
- the value of the refund concerning previous activity statement lodgments
- changes in circumstances or behaviour
- data matching for known fraud activities.

We use sophisticated analytical techniques to select high-risk refunds.

Examples that may lead to a refund being stopped for review include (but are not limited to):

- a small business claiming a large refund for the first time

- a significantly large refund
- a refund that is inconsistent with previous claiming patterns of the business
- businesses that claim an accumulation of small refunds over time
- if we have concerns around the ability of a business to support its acquisitions based on reported income and cash flow
- if there are indications of identity takeover, for example, if we
 - suspect the refund may be going to the bank account of another party without the client's knowledge
 - have intelligence that the identity has been stolen or is linked to other fraudulent activity.

Records and details we need

Keeping relevant supporting documentation will speed up the refund process if we need to contact you.

For example, if your refund is larger than normal, there are probably one or two transactions that are the difference between receiving an unusually large refund or having to pay a net amount to us as you have done previously. A one-off purchase of a motor vehicle is an example.

The ATO auditor needs to check things like:

- whether the actual amount is accurate
- that the GST credit was claimed in the right period
- where your income is low, the source from which you obtained funding.

That's why we ask for a copy of the tax invoice, your accounts transaction listing and a copy of the bank transaction or other proof of payment showing where the money came from.

The information we request may differ on the circumstances, but it is usually specific information about the transactions that led to you claiming the refund.

Example: claiming a large refund for the first time

ABC Pty Ltd operates in the vehicle smash repair industry. It recently registered for GST to establish a new workshop. In setting up the business, ABC Pty Ltd paid \$330,000 (including GST) to fit out the workshop and to purchase equipment.

The start-up costs resulted in a large refund claim of \$30,000 in the September 2018 quarterly Business Activity Statement (BAS). This was the first large refund claim by ABC Pty Ltd. The \$30,000 refund was identified for review and we contacted ABC Pty Ltd to provide the following information as part of the verification process:

- details on the nature of the business activity and what has caused the refund
- the tax invoice for the equipment as this makes up the majority of the refund claimed
- bank statements to evidence adequate funding and payment for the purchase of the equipment.

We all agreed on 7 days to provide this information, and ABC Pty Ltd provided it within this timeframe.

We contacted the equipment supplier to confirm the tax invoice was issued and had been paid in full. The ATO confirmed the existence of an enterprise and substantiated the refund. We released the refund without any further action.

Example: refund is significantly different to the immediate prior period

ABC Pty Ltd is a building and construction company involved in residential property development projects. In the September 2018 quarter, ABC Pty Ltd purchased a property for \$1.3 million. Non-capital acquisitions increased from \$300,000 in the previous quarter to \$680,000.

These events led to an unusually large refund claim of \$180,000 in the September 2018 BAS. In the previous quarter, ABC Pty Ltd claimed a refund of \$30,000.

We identified the \$180,000 refund for review and contacted the authorised tax agent to provide the following information as part of the verification process:

- details on the nature of the business activity to understand why the refund had increased from the previous quarter
- details on the development including construction costs and when sales were expected
- the tax invoice for the purchase of the \$1.3 million property and three of the highest valued tax invoices from different suppliers to support other purchases
- a copy of the contract for the purchase of the property.

The tax agent for ABC Pty Ltd sent the information to the ATO.

We contacted the vendor of the lot and the other suppliers to confirm they issued the tax invoices. They also contacted the bank to confirm the finance agreement. The ATO confirmed the existence of an enterprise and substantiated most of the refund claim. They released the refund without any further action.

Refunds can be retained while they are checked

If we need to verify some details on your activity statement or tax return, we may retain your:

- activity statement refund
- income tax refund if you are a full self-assessment taxpayer (such as a company or superannuation fund but not individuals).

We verify that the amount of your activity statement or income tax refund has been correctly claimed.

We will inform you either:

- within 14 days of lodgment of your activity statement where this is lodged before 1 July 2025
- within 30 days of lodgment of your activity statement where this is lodged on or after 1 July 2025 – this will give us extra time to review suspected fraudulent refunds prior to their release, especially during periods of high-volume fraud events, for more information see [extending the BAS retention period](#)
- within 30 days of lodgment of your tax return if we have retained your refund for verification purposes.

If we don't inform you within this period, we will issue your refund and may conduct verification later.

We may need to see records you used to prepare your activity statement or tax return. Responding promptly will help us to process this more quickly.

If we continue to retain your refund 60 days after the 14-day or 30-day period, you may object to our decision to retain your refund. If we request information from you during this time, the period before which you may object is extended by the number of days it takes you to provide all the information we request from you.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional

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