

## FAT testing

The financial acquisitions test (FAT) has become a standard component of ATO GST audits. If your business does not monitor the FAT, you could be over-claiming input tax credits

### Does your business make financial supplies?

As a general rule, if a business makes (or receives) financial supplies then it may not be entitled to claim input tax credits on the costs associated with making (or receiving) those supplies. You don't have to be a financial institution to make financial supplies; almost every business makes financial supplies of some kind. These can include:

- Establishing and operating an employee share plan
- Charging interest to your debtors
- Purchasing and selling shares in other companies
- Your treasury function's operations
- Use of hedging arrangements
- Buying and selling foreign currency
- Mergers and acquisitions
- Equity raising.

### What is the FAT?

The FAT is a *de minimis* test that allows business that only make (or receive) 'minor' financial supplies to claim full input tax credits on the costs associated with making (or receiving) those supplies. If a business fails the FAT test (which comprises both a current and a future test) it may not be entitled to claim the input tax credits on the costs incurred.

### How can Deloitte help?

We can help your business manage its FAT obligations by:

- Undertaking a detailed review of your business to identify the financial supplies that are made
- Applying and calculating the FAT test to identify any exposures
- Establishing and implementing an on-going FAT monitoring process
- Assisting with and managing any voluntary disclosures to the ATO.

If you want more information or have any questions about how we can help your business manage the FAT test please speak to your usual Deloitte Indirect Tax contact.



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