

Commercial Property Cash-flow Masterclass

Perpetual Invoices

Welcome to your Masterclass series.

This Masterclass we are learning about Perpetual Invoices, their benefits and where to use them for your commercial property.

What Are Perpetual Invoices?

Perpetual Invoices are a 1 page yearly invoice with monthly details included.

- It's like an advance invoice, that you issue once a year to a tenant that is paying you rent monthly.
- Some companies / businesses will accept it some won't.
- If you tenants pay you monthly, (in accordance to their lease) you can arrange an agreement to issue them with a perpetual invoice.
- This is an invoice which is issued once a year - where your tenant sets up automatic monthly payments to you.

Benefits of Perpetual Invoices

Benefits To You

- It saves you, the landlord a lot of time to self manage... but normally large companies will accept it, rather than smaller operators.
- Time savings, by batch invoicing each year, will save you a significant amount of time, creating, or managing monthly invoices.
- Possibly better Cash Flow as the business / company, simply makes their monthly payments on time, using the perpetual invoice.
- Reduced Data Errors- Each time you manually produce a rental invoice, there can be potential information or data entry errors. And these errors cost you time and money.

Benefits To Your Tenant

- Businesses can have a 1 page invoice and overview of yearly rental expenses and any GST applied.
- This in turn saves them time, in searching for your emails or invoice letters.
- They don't need to double handle information, such as when when receiving a monthly invoice.
- You can still send them monthly "payment received" notices or invoices, once you have received payment.
- Their invoice is issued once a year, in accordance with the lease agreement.
- Once they receive the perpetual invoice, your Tenants should set up their monthly payments, as monthly automatic payments.
- They will need to file the perpetual invoice and keep a copy, in case they need to refer to it.

ATO Tax View of Perpetual Invoices

Speak to your Tax adviser or Accountant on the type of accounting method for your property- Cash vs Non-Cash (accrual) methods.

Perpetual Invoices:

- Used for Progressive or periodic sales and purchases
- If you account for GST on a non-cash basis, there are special rules about when to account for sales that are made and paid for progressively or periodically, for example, where you lease a property to someone and they pay rent monthly.

GST on sales:

- You account for the GST on progressive or periodic sales as if each component is a separate sale. This means you report each payment you receive at G1 (GST on sales) in the reporting period you receive it.
- If you issue a separate tax invoice for a component of a sale before you receive payment, you report that amount in the reporting period in which you issue the tax invoice.

- Do not report the whole amount you are due to receive for the sale when you receive the first payment, even if you issue a single invoice for the entire sale.

<https://www.ato.gov.au/Business/GST/In-detail/Rules-for-specific-transactions/Agent,-consignment-and-progressive-transactions/GST---Agent,-consignment-and-progressive-transactions/?page=4>

Case Study / Example

Perpetual Invoice Example:

Notice how everything is set out in one page or sheet.

- Rental title and property address included
- Stating rental payment for the period of “The dates and month this is for” and amount.
- Set out for 12 months
- A total displayed at the bottom and GST applied and included. (If you are registered for GST)
- Payment summary statement at the bottom.

BILL TO:

DATE:
INVOICE #9 December 2018
2017 / 5

FOR:

RENTAL

ABN:

DESCRIPTION	AMOUNT
RENTAL OF LOT NO. 4 "MADISON HEIGHTS RETAIL"	
35A CAMPBELL STREET, BOWEN HILLS, AUSTRALIA	
Rental payment for the period: 4 March 2018 to 3 April 2018	5,275.81
Rental payment for the period: 4 April 2018 to 3 May 2018	5,275.81
Rental payment for the period: 4 May 2018 to 3 June 2018	5,275.81
Rental payment for the period: 4 June 2018 to 3 July 2018	5,275.81
Rental payment for the period: 4 July 2018 to 3 August 2018	5,275.81
Rental payment for the period: 4 August 2018 to 3 September 2018	5,275.81
Rental payment for the period: 4 September 2018 to 3 October 2018	5,275.81
Rental payment for the period: 4 October 2018 to 3 November 2018	5,275.81
Rental payment for the period: 4 November 2018 to 3 December 2018	5,275.81
Rental payment for the period: 4 December 2018 to 3 January 2019	5,275.81
Rental payment for the period: 4 January 2019 to 3 February 2019	5,275.81
Rental payment for the period: 4 February 2019 to 3 March 2019	5,275.81
SUBTOTAL	63,300.72
GST TAX RATE	10.00%
GST AMOUNT	6,330.97
OTHER	-
TOTAL	\$ 69,640.89

** Please make payment to the following bank account:

*Payments: \$5,803.39 (inclusive of GST) on the 1st business day of every month*