



## ATO clarification on GST treatment of sunscreen

To be GST-free, a sunscreen product must be ‘marketed principally for use as sunscreen’.

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Goods and services tax (GST) does not apply to products marketed principally as sunscreen and never has.

The Australian Taxation Office (ATO) has not changed its view on the GST treatment of sunscreen.

Recent media reports have suggested the ATO is ‘cracking down’ on manufacturers of skincare and sunscreen products in relation to GST treatment. Reporting has also suggested that the price of these products is expected to increase because of ATO actions. **These claims are incorrect.**

What the ATO has done is improve its guidance to provide clarity on how the existing law applies and make it easier for suppliers to classify their products correctly, noting modern products are being developed and marketed as having other benefits or uses, such as make-up or tint, or correcting the appearance of blemished skin.

To be GST-free, a sunscreen product must be ‘marketed **principally** for use as sunscreen’. If a product is not marketed **principally** for use as a sunscreen it is, and always has been, subject to GST.

A product classified as GST-free under this determination would have always been GST-free and vice versa for products that would not be GST-free. Since the introduction of GST, under the law sunscreen products are only GST-free if they:

- are for application to the skin (including the lips)
- have a Sun Protection Factor (SPF) of 15 or more

- are required to be included on the Australian Register of Therapeutic Goods (ARTG)
- are marketed principally for use as sunscreen.

The ATO's view is that whether a sunscreen product is marketed principally for use as sunscreen is a matter of overall impression involving an objective assessment of all the marketing information.

Detailed information is available in the ATO's draft determination **GSTD 2024/D2: *supplies of sunscreen***, from paragraph 20 'Marketed principally for use as sunscreen' and '*Table 1: common terms and features used in marketing of sunscreen products*' in the 'Marketed principally for use as sunscreen' criteria.

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