



Self-review checklist for small to medium business

GST classification of food and health products

If you are a small to medium business (manufacturer, wholesaler or retailer) and undertake high-volume low-value transactions, GST classification errors can lead to significant under-reporting of the GST.

By undertaking regular self-review of the GST classification of your products, processes and controls, you can ensure the GST classification decisions you make are correct.

The use of this guide is not mandatory. However, we encourage you to:

- regularly self-review the GST classification of supplies
- adopt better practice processes and controls listed in the checklist.

Note:

If you are a small business food retailer with turnover of \$2 million or less, you may choose to use one of our [GST simplified accounting methods \(SAMS\)](#) to account for your GST instead.

All legislative references in this document are in relation to the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) unless otherwise stated.

About the self-review checklist

This checklist provides practical, step-by-step guidance for you to:

- self-review the GST classification of your supplies (products you purchase as stock, or import, or produce for sale)
- assess the robustness of your business systems, processes and controls that directly impact your GST classification decisions.

Self-review will help:

- you determine the extent of any GST product classification risk in your business
- inform any corrective action required to address the identified gaps in your processes and controls, (checks, balances and sign off processes).

When to use this checklist

It is considered better practice to assess your GST classification processes and controls **annually**. However, review timeframes may be influenced by the size and frequency of:

- product turnover or changes
- GST classification errors.

Who should complete this checklist?

This checklist should be completed by someone with knowledge of:

- the GST obligations of your organisation
- relevant product attributes such as composition, weight, usage, design features, marketing and packaging.

The size and complexity of your business may influence the decision about who has this responsibility.

When completing the checklist, you need to be able to:

- consider each question and respond according to your knowledge of products and processes
- involve all relevant people in your organisation, such as those in accounting, process control, taxation, merchandise and information technology (if these are separate areas)
- make further enquiries of specialist business areas (if required)
- gather evidence to support your answers.

How to complete this checklist

You can complete and save this checklist electronically or print it and complete a paper copy.

Place **X** in all applicable boxes.

Use the **Notes** boxes for any follow up action you need to take or have taken.

If you cannot save a completed copy of this checklist, print a copy before closing the checklist.

When you have completed the checklist

Keep a copy of the completed checklist for your records – **do not** send us a copy of the completed checklist.

Undertake any required corrective action, such as:

- updating procedures and controls
- [applying for a private ruling](#)
- notifying the ATO or your customers or suppliers.

If the self-review of your product list has identified any misclassified products:

- assess your eligibility to [correct GST errors](#) in a later business activity statement (BAS), or
- make a voluntary disclosure in the [approved form](#). If you make a voluntary disclosure, you can generally expect a reduction in the administrative penalties and interest charges that would normally apply.

The checklist is structured as follows:

[Section 1: GST classification process](#)

This section will assess the robustness of your GST classification process and controls.

[Section 2: New product onboarding process](#)

Use this section to identify any gaps in your new product onboarding process.

[Section 3: Self-review methodology](#)

Use this section to review your product list for GST classifications.



More information

If you have any queries in relation to this checklist, email us at GSTProductClassificationCluster@ato.gov.au

Section 1: **GST classification process**

Things to look for

1 Do you have a GST classification process for the products you supply?

Yes ☐

No ☐ A methodical GST classification process will help with correct GST reporting.

Notes

2 Is this process documented, easily accessible, understood, and regularly used in your business?

Yes ☐

No ☐ A documented process minimises mistakes, and ensures continuity, consistency and efficiency.

Notes

3 Is it fit-for-purpose to your specific business circumstances, and does it ensure correct GST classification of your supplies?

Yes ☐

No ☐ A customised process to meet your needs (as per the size, complexity and nature of the products you supply) facilitates efficient and correct GST classification decisions.

Notes

4 Does your process list the role of each stakeholder, such as business owner, its tax adviser and information technology personnel?

Yes ☐

No ☐ Assigning clear roles and responsibilities ensures better coordination and accountability.

Notes

5 Does the process require you to undertake your own objective assessment of the GST classification of products you purchase as stock for sale, import or produce, rather than relying on the GST classifications of similar or other suppliers in the supply chain?

Yes ☐

No ☐ GST status should be assessed at each point of supply, taking into consideration factors including product characteristics, marketing, packaging and usage.

Notes

- 6 Does the process specify when and how your business will seek external advice, and from whom? For example, from the ATO or third-party providers such as GS1¹ Australia (food only) and tax advisers.**
- Yes ☐
- No ☐ A designated person who is responsible for seeking external advice ensures an efficient process to confirm correct GST classification of a product.
- Notes
-
- 7 Does your classification process have step-by-step new product set-up (onboarding) instructions which document how to assign GST codes and enter product specifications in the system (point of sale (PoS) or other)?**
- Yes ☐
- No ☐ Including a new product set-up (onboarding) process in your GST classification process as per [Section 2](#) below will ensure correct GST classification of your products.
- Notes
-
- 8 Is the product data you use secure, and can it only be accessed with your approval?**
- Yes ☐
- No ☐ Having safeguards in place to limit unauthorised access, loss, manipulation or corruption of data will improve your data integrity.
- Notes
-
- 9 Does the change made to the product specification, GST code or GST rate require authorisation and does your system keep an audit trail (record) of that change?**
- Yes ☐
- No ☐ A sign off step and audit trail protects against unauthorised modifications to the data.
- Notes
-
- 10 Does the process have in-built flexibility to assign GST classification for different settings? For example, GST-free food (such as an apple or a water bottle) supplied for consumption on the premises will be taxable.**
- Yes ☐
- No ☐ Your process should be able to select the correct classification under different situations. Note the guidance on [premises](#).
- Notes
-

¹ GS1net includes the GS1net Registry, which is an internet-based service where manufacturers and other suppliers can find details including the ATO confirmed GST rate on a large number of food and beverage items. Law Administration Practice Statement [PS LA 2012/2 \(GA\) GST classification of food and beverage items](#) sets out the arrangement the ATO has with GS1 Australia to ensure food and beverage items shown on GS1net are correctly classified for GST purposes.

11 Does the process mandate regular review of the GST codes? For example, GST classification or code analysis as part of the BAS preparation process.

Yes ☐

No ☐ Regular review of the GST codes helps ensure correct classification, as the product attributes (composition, marketing, usage, design) may have changed.

Notes

12 Does your process have manual controls such as reviewing or segregation of duties (SoD)?

Yes ☐

No ☐ Controls such as manual reviews and SoD minimise human error and fraud.

Notes

13 Does the process mandate regular testing (comparison) of the GST classification in your product master list with the PoS system?

Yes ☐

No ☐ A control that mandates regular testing and matching of GST classifications in the product list with the PoS system validates data integrity and correct use of GST codes at the final point of sale.

Notes

Section 2: New product onboarding process

Things to look for

- 1 Does your onboarding process outline a clearly articulated sequence of the steps to be followed by the responsible persons when setting up or adding new products, including the assigning of GST codes?**

Yes ☐

No ☐ A step-by-step onboarding process ensures consistency, efficiency and correctness in assigning GST codes to your food, beverages and health products.

Notes

- 2 Does your process consider referring to or importing the relevant approved classifications from GS1 Australia² (food product only)?**

Yes ☐

No ☐ GS1 Australia (National Product Catalogue) has a list of products which include the ATO-approved GST classification. This can help you select the correct GST classification.

Notes

- 3 Does the process consider approved classifications on the ATO's [Detailed Food List \(DFL\)](#) for relevant products?**

Yes ☐

No ☐ The DFL can be relied on as a reference for the relevant products you supply. It has an itemised list of major foods and beverages that you can search to quickly to find out their GST status.

Notes

- 4 Does your process ensure you consider ATO public advice and guidance for relevant products?**

Yes ☐

No ☐ The ATO's public advice and guidance can be relied on as a reference for the relevant products you supply. The [ATO Legal database](#) is a source of public advice and guidance. Quick search or browse the Legal database for guidance on relevant product by following this path: Browse > Browse all > by Topic > Goods and services tax > Food or > Health.

Notes

- 5 Does your process consider applying for a [Private Ruling](#) if a GST classification is not clear?**

Yes ☐

No ☐ Having a process to apply for a private ruling ensures correct GST classification.

Notes

² GS1 is a subscription-based online service, where manufacturers and other suppliers can find details including the ATO confirmed GST rate on a large number of food and beverage items.

6 Does the process ensure that you document the reasons if you decide not to follow the ATO view in public advice and guidance or a private ruling issued to you?

Yes ☐

No ☐ Documenting the reasons provides contemporary evidence.

Notes

7 Does your process evaluate all product details such as the product identifier, product description, size, composition, weight, usage, design features, marketing and packaging for assigning GST classification?

Yes ☐

No ☐ A process that includes assessment of these factors improves your GST classification decisions.

Notes

8 Does the onboarding process record pertinent details such as onboarding date, effective date and amendment date?

Yes ☐

No ☐ These details are important for record-keeping purposes.

Notes

9 Does your process specify approval and authorisation of the assigned GST code for the new product?

Yes ☐

No ☐ Approval of the GST codes by a responsible person (taxation) is a necessary step to ensure correctness in GST classification.

Notes

10 Does the process list the electronic systems and subsystems used to set up a new product and relevant data entry process?

Yes ☐

No ☐ Functional knowledge and visibility of your systems and data flow (data flow diagrams) will help you set up control points and ensures correct data entry.

Notes

11 Does the process specify a 'GST codes list' and description of each code to be used for GST-free, taxable supplies, mixed or composite supplies?

Yes ☐

No ☐ The description and specific guidelines for usage of each GST code for different types of supplies is critical for assigning the correct GST code to your products.

Notes

12 Does the process ensure that the GST codes, GST rates and business rules in your information systems are hard coded (only authorised personnel can amend these codes)?

Yes ☐

No ☐ Hard coding the GST codes and GST rates ensures consistency and master data integrity.

Notes

13 Does the process outline clear instructions where GST codes or the GST classification of a product is not hard coded, or requires an appropriate apportionment of taxable and GST-free elements?

Yes ☐

No ☐ Clearly documented instructions on the process for assigning the appropriate GST code and the approval ensures accuracy of the GST codes.

Notes

Next steps

Evaluate the positive and negative responses and plans to address as follows:

Positive responses

In the context of this checklist, an increased number of 'yes' responses indicate you have robust controls in place for your product classification process. These affirmative answers demonstrate the degree to which the necessary measures are in place for you to:

- regularly review the existing controls in place
- strengthen them where necessary to prevent errors.

Addressing negative responses

To address negative responses:

- develop a plan to address the negative responses
- define corrective actions and assign responsibilities and timeline
- regularly monitor and evaluate the effectiveness of the plan.

Review your product master list

Using the [Section 3: Self-review methodology](#), review your product master list and take relevant actions recommended in steps 6 to 9.

Section 3: Self-review methodology

How to self-review your product list

Your self-review methodology should be tailored and fit-for-purpose to suit your individual circumstances, such as type (manufacturer, wholesaler or retailer) or size of the business.

A small business may have its product listing administered on a standalone point of sale (PoS) system with manual GST controls. A Not-for-Profit entity may need to consider [GST concessions for not-for-profits](#).

We recommend reviewing the full product list for correct GST classifications. However, you may take a risk-based approach and prioritise non-taxable products in the list.

The following step-by-step methodology will assist you in developing an approach specific to your entity, to promote a more streamlined and efficient process.

Step 1: Which entity to review?

Select the GST reporting entity to be the subject of your product classification self-review.

Step 2: Full product list

Extract a full listing of your products, including the recommended fields listed below (where available).

It is recommended that the extract should include the fields with the following information:

- Product code or GTIN (Global Trade Item Number) or another identifier
- Product name
- Product description
- Product category
- Product supplier
- Product status (active or inactive)
- Date – product onboarded³ (entered in the sales system or PoS)
- Date – product commenced sale
- Date – product became inactive (stopped sale)
- Date – product GST status amended
- Digital label (digital version of the information on the product)
- Ingredients (percentage)
- Size or packaging
- Customer (domestic or export)
- Customer usage of the product (for wholesale or manufacturer taxpayers)
- GST code
- GST rate.

Step 3: Categorise your products

Categorise the product list according to its current GST classification: taxable (10%), mixed supplies (>0 but <10%) and GST-free supplies (0%). It is recommended to use an analytical tool to undertake this exercise and record your results for each product category.

Step 4: Review each product category

Review the GST classification for each product category as follows:

A. TAXABLE – Products with a GST classification of 10%

- Group like product types. For example, multiple packaging of the same product or duplicates.
- Filter out all products where you have already adopted the best practice for new product onboarding process and determined the GST classification as taxable in accordance with the GST Act⁴, relevant public advice and guidance, relevant private rulings issued to you, the [DFL](#), National Product Catalogue (GS1 Australia) for food.
- List the remaining products and take the steps at D below.

³ Product onboarding usually happens earlier than when sale of the product commences.

⁴ Section 9-5 and Division 38 of the GST Act, ATO view.

B. MIXED SUPPLIES – Products with a GST classification of >0 but <10%

- Review each product, to determine whether it is:
 - a mixed supply or a composite supply with reference to Goods and Services Tax Ruling [GSTR 2001/8](#) *Goods and services tax: Apportioning the consideration for a supply that includes taxable and non-taxable parts*, or
 - GST-free supply of food packaging with reference to Goods and Services Tax Determination [GSTD 2000/6](#) *Goods and services tax: when is the supply of food packaging GST-free in terms of section 38-6 of the A New Tax System (Goods and Services Tax) Act 1999?*
- Filter out all products where you have determined the GST classification and GST rate as a mixed supply or composite supply in accordance with the GST Act and the rulings above.
- List the remaining products and go to Step 5.

C. GST-FREE SUPPLIES – Products with a GST classification of 0%

- Group like product types. For example, multiple packaging of the same product or duplicates.
- Filter out all products that are supplied as exports.
- Filter out all products where you have already adopted the best practice for new product onboarding process and determined the GST classification as GST-free⁵ in accordance with the GST Act, relevant public guidance, relevant private rulings issued to you, the [DFL](#), National Product Catalogue (GS1 Australia) for food.
- List the remaining products and take the steps at D below.

D. Confirm GST classification of remaining products

For remaining products identified from the above steps, undertake a line-by-line review referencing:

- published ATO advice and guidance
- relevant private rulings and other ATO guidance issued specifically to you
- [DFL](#) (provides the GST status of major food and beverage product lines)
- ATO-confirmed GST classification of specific products listed on the National Product Catalogue (GS1 Australia) for food
- Subdivision 9A of the GST Act – Taxable supplies
- Subdivision 38-A and 38-B of the GST Act – GST-free supplies
- Schedules 1, 2 and 3 of the GST Act
- GST Regulations.

Step 5: Seek clarification of GST classification if uncertain

Create a list of all potentially misclassified products requiring further review.

Consider the appropriate channel (including ATO advice and guidance) for seeking specific external advice to confirm the GST classification of these products.

If you choose to seek ATO [tailored technical assistance](#), which includes the option of seeking a private ruling, include the following details:

- the product extract from your product list, including ingredients, composition and usage
- your view
- the ATO view (if known)
- factors you considered to determine the GST classification, including any images and marketing information.

Step 6: Self-review outcomes

Document the outcomes of the self-review, including:

- its date and scope
- the person (or persons) or entity that undertook the review
- a list of misclassified products and any net GST payable or refundable for each product and tax period. Consider the restrictions on claiming a refund under Division 142 of the GST Act
- any corrective action required, such as:
 - updating the GST classification for the misclassified products
 - updating procedures and controls
 - requesting a private ruling
 - notifying the ATO of any net GST payable or refundable considering Steps 8 and 9 below
 - notifying customers or suppliers.
- details of corrective action taken
- date when corrective action was taken.

Step 7: Update GST classifications

- Correct the GST classification of misclassified products.
- Update your GST classification procedures to capture gaps identified during the self-review.
- If you have a significant number of products that are continuously being identified as misclassified, we recommend you further review and update your systems and documented procedures to prevent the misclassification from reoccurring.
- Any remedial and corrective action you undertake should consider the principles and better practice as outlined in this guide.
- Ensure you document any remedial action taken. Include the date issue was identified, and the date it was corrected.

⁵ Subdivision 38-A and 38-B of the GST Act, Schedules 1, 2 and 3 of the GST Act, *A New Tax System (Goods and Services Tax) Regulations 2019* (GST Regulations).

Step 8: Quantify net GST payable or excess GST refundable⁶

Identify the tax periods during which you supplied the misclassified products.

- Obtain the sales data for all misclassified products within the tax periods covered by your [period of review](#) (4 years from the day after the notice of assessment is given), or from the date the products were first sold.
- Calculate the sales value of all misclassified products for each tax period.
- Calculate the net GST payable or refundable for each relevant tax period within the review period.

Step 9: Correct the GST errors

Assess your eligibility to correct GST errors in a later business activity statement using [ATO Correcting GST errors](#) guidelines.

If you are not eligible, amend the BAS for relevant tax period or periods⁷ or consider making a [voluntary disclosure in the approved form](#). When you make a voluntary disclosure, you can generally expect a reduction in the [administrative penalties and interest charges](#) that would normally apply.

⁶ Consider the restrictions on claiming a refund under Division 142 of the GST Act.

⁷ Subject to time limits and Division 142.