



# ***TD 2004/38 - Income tax: value of goods taken from stock for private use for the 2004-2005 income year***

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 This document has changed over time. This is a consolidated version of the ruling which was published on *29 September 2004*



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# Taxation Determination

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Income tax: value of goods taken from stock for private use  
for the 2004-2005 income year

## **Preamble**

*This document does not rule on the application of a 'tax law' and is, therefore not a 'public ruling' for the purposes of Part IVAAA of the **Taxation Administration Act 1953**. The document is, however, administratively binding on the Commissioner of Taxation. Taxation Ruling TR 92/1 and TR 97/16 together explain when a ruling is a 'public ruling' and how it is binding on the Commissioner.*

## **Introduction**

1. This Taxation Determination provides an update of amounts that the Commissioner will accept as estimates of the value of goods taken from trading stock for private use by taxpayers in named industries. These updated amounts are contained in the Schedule at paragraph 8. This Taxation Determination applies for the 2004-2005 income year and should be read with IT 2659.

## **Background**

2. The Australian Taxation Office (ATO) has previously issued 'Goods Own Use' (GOU) amounts for a range of industries. These amounts are estimates of the value of goods taken from trading stock for private use by taxpayers in named industries.

## **Methodology**

### ***Selection of industries***

3. Industries suitable for inclusion in the Schedule should:
- exhibit a transformation process of trading stock items (e.g. baking);
  - have as trading stock a range of small items or ingredients, usually of low value;
  - not be suited to inventory systems;
  - have a high turnover of items, often for cash.

## 4. The Schedule of industries is:

Bakery
Butcher
Restaurant/cafe (licensed)
Restaurant/cafe (unlicensed)
Caterer
Delicatessen
Fruiterer/greengrocer
Takeaway food shop
Mixed business (incorporating milk bar, general store and convenience store)

**Determination of amounts**

5. The basis for determining values of goods taken from trading stock is derived from the latest<sup>1</sup> Household Expenditure Survey (HES) results issued by the Australian Bureau of Statistics adjusted for Consumer Price Index (CPI) movements for each category of items.<sup>2</sup> The ABS collects, at varying intervals, detailed information about the expenditure, income and household characteristics of approximately 8,400 households resident in private dwellings throughout Australia. Information is collected during personal interviews and from diaries in which survey participants have recorded all personal expenditure over a two week period. Interviews and diary-keeping are spread over the financial year of collection. At the 'fine' level of expenditure, the survey details household expenditure in over 700 categories of items across a range of household composition groups.<sup>3</sup> It is considered that these survey results provide reasonable and statistically valid estimates as to the community's level of spending on a wide range of items.

6. Using the HES data, consideration has been given to the fine level expenditure items and which items would be present in the trading stock of the Schedule of industries. The stock items are generally limited to the HES 'food and non-alcoholic beverage' broad category, except for Licensed Restaurants/Cafes where 'alcoholic beverage' items are included,<sup>4</sup> and Caterer where some 'household equipment' items are included.

7. The main assumption in calculating GOU amounts is that if a business has an item in stock then the taxpayer would take the item from stock for own use rather than purchase the item elsewhere. **The GOU amounts (excluding GST) appear in the schedule at paragraph 8.** However, taxpayers should regard these GOU amounts as a guide only. Where a taxpayer considers the values provided in the schedule do not reflect their particular circumstances, they may elect to maintain suitable records<sup>5</sup> of items taken from trading stock for personal use.

<sup>1</sup> 1998-1999

<sup>2</sup> This figure is rounded up to the nearest \$10 for Adults

<sup>3</sup> For example, sole person, couple, couple with one dependent, etc

<sup>4</sup> For Adults but not for Children

<sup>5</sup> See section 262A of the *Income Tax Assessment Act 1936* and TR 96/7. Law Administration Practice Statement PS LA 2004/3 (GA) sets out the approach the Commissioner will accept for valuing trading stock that is taken for private use by sole traders or partners in a partnership.

**Schedule for the value of goods taken from trading stock**

8. Based on the above methodology, the Schedule for the value of goods taken from trading stock for private use in the 2004-2005 income year is:

<b>Type of business</b>	<b>Amount (excluding GST) for Adult / Child over 16 years</b>	<b>Amount (excluding GST) for Child 4-16 years</b>
Bakery	940	470
Butcher	690	345
Restaurant/cafe (licensed)	3,190	1,270
Restaurant/cafe (unlicensed)	2,540	1,270
Caterer	2,720	1,360
Delicatessen	2,540	1,270
Fruiterer/greengrocer	630	315
Takeaway food shop	2,500	1,250
Mixed business (includes milk bar, general store, and convenience store)	3,130	1,565

**Updating the Schedule**

9. It is intended to adjust the values annually to reflect either the most recent HES data or the HES data uplifted for CPI movements and reissue the Schedule at the commencement of each income year.

**Date of effect**

10. This Determination applies to the 2004-2005 income year. However, it does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

**Commissioner of Taxation**

29 September 2004

*Previous draft:*

Not previously issued in draft form

*Related Rulings/Determinations:*

IT 2659; TR 92/1; TR 92/20; TR 96/7; TR 97/16

*Previous Rulings/Determinations:*

TD 2001/25; TD 2002/26; TD 2003/22

*Subject references:*

- private use
- record keeping
- trading stock
- value of goods taken from stock

*Legislative references:*

- ITAA 1936 262A
- TAA 1953 Pt IVA

*Other references:*

- PS LA 2004/3 (GA)

# TD 2004/38

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## ATO references

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