Australian Government
Australian Taxation Office

Explanatory Statement

A New Tax System (Goods and Services Tax) (Simplified Accounting Methods – Supermarket and Convenience Stores) Determination 2025

General outline of instrument

1. This instrument is made under paragraph 123-5(1)(a) of the *A New Tax System (Goods and Services Tax) Act 1999* (the Act).

2. This instrument allows eligible food retailers to adopt a simplified accounting method (SAM) when calculating their net amount.

3. The instrument is a legislative instrument for the purposes of the *Legislation Act 2003*.

4. Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws) the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument.

Date of effect

5. This instrument commences on the day after it is registered on the Federal Register of Legislation.

Background

6. Entities are required to calculate the net amount for a tax period using the formula provided in section 17-5 of the Act. The basic formula contained in subsection 17-5(1) requires entities to calculate GST payable on taxable supplies and then deduct their input tax credit entitlements to arrive at their net amount. The net amount may be increased or decreased by adjustments and amounts of wine equalisation tax and luxury car tax.

7. Entities that make taxable and GST-free supplies or acquisitions that are taxable and GST-free are required to establish whether the particular supplies or acquisitions are taxable or GST-free when calculating their net amount.

8. Businesses incur compliance costs in seeking to distinguish between taxable and GST-free supplies and acquisitions.

9. Section 123-5 of the Act allows the Commissioner to determine SAMs that some retailers and small enterprise entities can choose to apply to reduce their costs of complying with the requirements of the Act.

10. In making a determination under section 123-5 of the Act, the Commissioner is required to specify the kinds of retailers or small enterprise entities that can choose to use the SAM and provide a method for working out net amounts for those entities.

11. Retailers such as smaller supermarkets and convenience stores that resell items can incur significant compliance costs in determining their entitlement to input tax credits. This includes individually dissecting and recording the GST component in each tax invoice.

12. This instrument repeals and replaces the instrument titled *A New Tax System (Goods and Services Tax) Act 1999 Simplified GST Accounting Methods Determination (No. 29) 2015* which would otherwise sunset on 1 October 2025. The instrument has the same substantive effect as the one it is replacing.

Effect of this instrument

13. This instrument will allow eligible retailers (such as smaller supermarkets or convenience stores) to use a SAM that will reduce their costs to comply with the Act.

14. Section 6 of the instrument contains the eligibility conditions to use the SAM. The instrument can only be used by eligible retailers that satisfy the conditions set out in the instrument.

15. To be eligible, an entity must be a retailer whose enterprise consists mainly of selling a range of food and other goods that are commonly sold by a supermarket or convenience store. A petrol station is not a convenience store and cannot use the SAM, even if part of its product range is similar to that of a convenience store.

16. Less than 5% of the total consideration for the sale of goods during the tax period must be from the sale of goods that are a taxable supply and those goods consist of or include ingredients that are GST-free. For example, a chicken that an entity cooks and sells hot, or a sandwich that is made from bread and fresh ingredients, would count towards the 5% limit, since the ingredients would be at least partly GST-free but the sale would be taxable.

17. The entity's GST turnover, as defined in the Act, must not exceed $2 million.

18. The entity must also have adequate point-of-sale equipment, defined in the instrument to mean point of sale equipment that can identify and record:

- a sale as being either a GST-free sale or a taxable sale,
- the total consideration received for all goods sold as GST-free supplies in a specified period; and
- the total consideration received for all goods sold in a specified period.

19. Electronic scanning systems, touch screen registers and product-specific cash registers are examples of adequate point of sale equipment.

20. Section 7 of the instrument provides the SAM for calculating the net amount for a tax period and uses a similar formula to that contained in section 17-5 of the Act, being GST minus input tax credits. GST is calculated in the same way as required by section 17-5 of the Act.

21. The method then provides a way to estimate the input tax credits eligible retailers are entitled to claim in respect of their acquisitions of goods in a particular tax period.

22. Eligible retailers who choose to use the method need to calculate the percentage of their GST-free sales of goods against their total sales of goods during the tax period. They then multiply this percentage against the total consideration, based on whether they account on a cash basis or a non-cash basis, for goods they purchase during the tax period. This provides an estimate of their GST-free purchases for the tax period which is then subtracted from the total consideration for purchases.

23. This estimated amount for taxable purchases is then multiplied by one-eleventh to provide their input tax credit entitlement for the goods purchased.

24. The entity then adds any other input tax credit entitlements for other creditable acquisitions (such as capital items or rent expenses) or creditable importations that are attributable to the tax period.

25. The rationale behind this formula is that the percentage of acquisitions of goods which are creditable acquisitions would be expected to be in line with the percentage of sales which are taxable for the kinds of businesses to which the instrument applies.

26. Entities using the SAM must exclude alcoholic beverages and other goods that are uncommon or in substantially greater quantity or variety than those generally sold at supermarkets or convenience stores.

27. It is not a requirement that tax invoices be held for acquisitions that are included in step 1 of the input tax credits method statement whilst using the SAM covered by this instrument. This is because the SAM estimates the input tax credit entitlement for trading stock for the tax period and does not require the entity to apply the attribution rules, including the requirement to hold a tax invoice, contained in section 29-10 of the Act.

28. However, tax invoices are required for all other creditable acquisitions and creditable importations before attributing any input tax credit entitlement to the tax period.

29. The net amount may be increased or decreased if the entity has any adjustments in the tax period for:

- supplies, and
- acquisitions or importations included in step 8 of the input tax credits method statement.

30. The entity will not have any adjustments for acquisitions of goods that are included in step 1 of the input tax credits method statement as the input tax credit entitlement for these acquisitions are estimated under the method.

31. Appropriate records must be kept to explain the calculations used to reach the final figure under this SAM. Further, all records must continue to comply with the general record keeping requirements.

32. If an acquisition was included in a tax period whilst this instrument was in effect, then an input tax credit cannot be claimed for the same acquisition in a later tax period after which a notice to revoke an election has taken effect. If any such credit is claimed in later tax period, a corresponding increasing adjustment must be made to the GST return in the previous relevant tax period. This rule is to prevent an entity from effectively claiming two input tax credits for the same acquisition.

Compliance cost assessment

33. To be advised.

Consultation

34. Subsection 17(1) of the *Legislation Act 2003* requires the Commissioner to be satisfied that appropriate and reasonably practicable consultation has been undertaken before they make an instrument.

35. As part of the consultation process, you are invited to comment on the draft instrument and its accompanying draft explanatory statement.

Please forward your comments to the contact officer by the due date.

Due date:	16 July 2025
Contact officer:	Stephen Willis
Email:	Stephen.Willis@ato.gov.au
Phone:	(07) 3213 8967

Legislative references
A New Tax System (Goods and Services) Tax Act 1999
Acts Interpretation Act 1901
Human Rights (Parliamentary Scrutiny) Act 2011
Legislation Act 2003

Statement of compatibility with human rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

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This legislative instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011.*

Overview of the legislative instrument

This legislative instrument allows eligible retailers (such as smaller supermarkets and convenience stores) to work out their net amounts using the simplified accounting method in section 7 of the instrument.

Human rights implications

This legislative instrument does not engage any of the applicable rights or freedoms. It allows eligible retailers to adopt a simplified accounting method to reduce their costs of complying with the GST legislation.

Conclusion

This legislative instrument is compatible with human rights as it does not raise any human rights issues.