Australian Government
Australian Taxation Office

# Explanatory Statement

# A New Tax System (Goods and Services Tax) (Simplified Accounting Method for Restaurants, Cafes and Caterers) Determination 2026



**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 provides eligible retailers such as restaurants, cafes and caterers with a choice of using a simplified accounting method (SAM), commonly referred to as the 'purchases snapshot method', to work out their net amounts (GST less input tax credits). By using the SAM, these businesses can work out an estimate of their input tax credits (ITCs) for creditable acquisitions of trading stock for a tax period using actual trading stock purchases data recorded over two 4 week sample periods in a financial year. The use of the SAM may reduce compliance costs for businesses that do not have systems, software or staff to work out whether every trading stock purchase is taxable or GST-free.

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. Broadly, under the basic rules for calculating net amounts (that is, GST less ITCs) in section 17-5 of the Act, a retailer must work out:

- the GST for the tax period, which is the sum of all of the GST they are liable for on all taxable supplies (goods or services they sell that are taxable) they make for that period; and
- ITCs for the tax period, which is the sum of all of the ITCs they can claim on creditable acquisitions (business purchases that are taxable supplies to them) and creditable importations.

7. For restaurants, cafes and catering businesses, very few (if any) of their sales are likely to be GST-free. This means working out all the GST on their sales for a tax period using the basic rules is likely to be relatively straightforward (that is, one-eleventh of all their GST-inclusive sales for the tax period).

8. However, this is not the case for these businesses when calculating their ITC entitlement. Restaurants, cafes and catering businesses commonly purchase trading stock that includes a mixture of taxable and GST-free goods (for example, taxable food and non-food items and GST-free food). Such businesses often make numerous low-value purchases of trading stock and identifying the GST status of every purchase in every tax period can create a disproportionate compliance burden, particularly if the businesses do not have the inventory management systems, or software or staff to work out if trading stock purchases are taxable or GST-free.

9. Where GST is paid on purchases of trading stock businesses can claim an ITC up to the amount of GST paid on those purchases. ITCs cannot be claimed for GST-free purchases because there is no GST paid for those purchases. Therefore, to work out the amount of ITC that they can claim, businesses need to work out whether trading stock purchases are taxable or GST-free.

10. To help reduce the compliance burden on such retailers, under Division 123 of the Act the Commissioner can determine simplified accounting methods (SAM) to calculate net amounts. In particular, paragraph 123-5(1)(a) of the Act allows the Commissioner to determine a SAM and specify the kinds of retailers that can use the SAM.

11. Under subsection 123-5(2) of the Act, those retailers must either sell food or operate as certain types of charities under Subdivision 38-G in the course of carrying on their enterprise.

12. Where an eligible retailer chooses to use a SAM, they calculate their net amount using the SAM, not the basic rules in section 17-5 of the Act. The SAM may still refer to or rely on the basic rules for either the GST or ITC component of the net amount calculation or both depending on the circumstances.

13. The SAM was previously provided through the *Goods and Services Tax: Simplified Accounting Method Determination (No. 38) 2016 for Restaurants, Cafes and Caterers – purchases snapshot method* (2016 instrument).

14. This instrument repeals and replaces the 2016 instrument which would otherwise sunset on 1 October 2026. This instrument has the same substantive effect as the 2016 instrument.

**Effect of the Instrument**

***Section 6 – Choice to use a simplified accounting method***

15. Section 6 sets out the eligibility criteria for the kinds of retailers that can choose a SAM, depending on whether they have an annual, quarterly or monthly tax period.

16. A retailer can choose to use a SAM in this instrument if:

- the retailer is registered for GST throughout the tax period;
- the business that the retailer operates is a restaurant, cafe or catering business during the tax period; and
- the retailer's GST turnover does not exceed the small enterprise turnover threshold of $2 million.

17. In the GST Act, 'retailer' is a defined term and means an entity that sells goods to people, who buy them for private or domestic use or consumption, in the course or furtherance of carrying on its enterprise.

***Section 7 – Simplified accounting method – monthly or quarterly tax periods***

18. Section 7 sets out the SAM for eligible retailers with monthly or quarterly tax periods.

19. Section 7 uses a similar formula to the formula in section 17-5 of the Act to work out a retailer's net amount. Under section 7 the retailer's net amount is worked out using the formula:

*GST minus input tax credits*

20. GST is calculated just as it would be under section 17-5 of the Act – that is, the sum of all GST which the retailer is liable for taxable supplies attributable to the relevant tax period. As noted previously, these retailers will generally be making only taxable supplies, so working out their GST on their supplies should not present additional compliance difficulties.

21. ITCs are calculated as the sum of all the ITCs to which the retailer is entitled to for the creditable acquisitions of non-trading stock and creditable importations, and all the ITCs to which the retailer is entitled to for the creditable acquisitions of trading stock worked out using the method statement in the 'Input tax credits' definition in section 7.

22. 'Trading stock' is defined in the instrument to include anything produced, manufactured or acquired that is held for the purposes of manufacture, sale or exchange in the ordinary course of carrying on an enterprise.

23. ITC entitlement for creditable acquisitions of non-trading stock and creditable importations are worked out just as it would be under section 17-5 of the Act. The SAM in section 7 is about simplifying how the retailer can work out their entitlement to ITCs for creditable acquisitions of trading stock.

24. Broadly, under the SAM the retailer calculates the GST-free proportion of all trading stock that they acquire during a relevant 4 week sample period. The retailer then applies that calculated GST-free trading stock proportion to the total consideration they have provided for all trading stock acquisitions for the tax period. The result is an estimated total consideration for GST-free trading stock acquisitions in the tax period. The ITCs for creditable acquisitions of trading stock for that tax period is one-eleventh of the difference between the total consideration for all trading stock acquisitions and the estimated total consideration for GST-free trading stock acquisitions for that tax period.

***Calculation of ITCs for creditable acquisitions of trading stock***

25. An eligible retailer calculates ITCs for creditable acquisitions of trading stock for a monthly or quarterly tax period under paragraph (b) of the 'Input tax credits' definition in section 7 using the following steps.

*Step 1 – Total consideration for trading stock acquisitions in the tax period*

26. A retailer that accounts on a cash basis must work out the total consideration they have provided for all trading stock acquisitions in the tax period.

27. A retailer that accounts on a non-cash basis must work out the total consideration for all trading stock acquisitions in the tax period by adding together the relevant consideration provided for each of those acquisitions.

28. 'Relevant consideration' is defined in the instrument. It means any consideration the retailer has provided for the acquisition or, if an invoice is issued for the acquisition before they provide any consideration, the consideration in the invoice.

*Step 2 – Estimated total consideration for GST-free trading stock acquisitions in the tax period*

29. The total consideration for trading stock acquisitions worked out under step 1, is multiplied by the GST-free trading stock proportion that is relevant to the tax period. The result is the estimated total consideration for GST-free trading stock acquisitions for the tax period.

*GST-free trading stock proportion*

30. 'GST-free trading stock proportion' is defined in section 7. The retailer must calculate the GST-free trading stock proportion acquired during the relevant 4 week sample period by:

(a) for retailers that account on a cash basis – working out the total consideration they have provided for all trading stock acquisitions and all GST-free trading stock acquisitions in the relevant 4 week sample period. The GST-free trading stock proportion for that sample period is then worked out by dividing the total consideration for GST-free trading stock acquisitions by the total consideration for all trading stock acquisitions.

(b) for retailers that account on a non-cash basis – working out the total consideration for all trading stock acquisitions and all GST-free trading stock acquisitions in the relevant 4 week sample period by adding together the relevant consideration for each acquisition. The GST free trading stock proportion is then worked out by dividing the total consideration for the GST-free trading stock acquisitions by the total consideration for all trading stock acquisition.

31. The GST-free trading stock proportion that is worked out for the first tax period in each 6 month period starting on 1 July or 1 January in a financial year is then used for all of the tax periods in that 6 month period. This means that the GST-free trading stock proportion only has to be worked out once for each six month period.

Relevant 4 week sample period

32. 'Relevant 4 week sample period' is defined in section 7. The relevant 4 week sample period that applies to a tax period depends on when the tax period begins.

33. If the retailer's tax period begins on or after 1 July and ends on or before 31 December in a year, the relevant 4 week sample period can be any continuous 4 week period between 1 June and 31 July that year.

34. If the retailer's tax period begins on or after 1 January and ends on or before 30 June in a year, the relevant 4 week sample period can be any continuous 4 week period between 1 December in the previous year and 31 January in that year.

35. These sample period ranges have been chosen to keep the SAM estimates aligned with how the business is trading and aim to roughly account for seasonal variation. It also ensures that the sample period data used to work out the GST-free proportion of trading stock acquisitions under the SAM can be used for up to six months to minimise compliance costs.

36. If a retailer cannot use these sample periods, due to either starting to trade or choosing to first apply the SAM during a tax period, they can use:

- for a retailer that starts trading during a tax period – any continuous 4 week period in the first two months of trading;
- for a retailer that starts using a SAM during a period that falls outside of the 1 June to 31 July and 1 December to 31 January sample period range – any continuous 4 week period within the tax period when the retailer starts using the SAM.

37. A quarterly lodger that chooses to use the SAM will use the method under section 7 four times in a financial year using two relevant 4 week sample periods. Similar, a monthly lodger that chooses to use the SAM will use the method twelve times in a financial year while still only using two relevant 4 week sample periods.

*Step 3 – Estimated total consideration for creditable acquisitions of trading stock in the tax period*

38. The retailer must subtract the estimated total consideration for GST-free trading stock acquisitions for the tax period (worked out at step 2) from the total consideration for all trading stock acquisitions in the tax period (worked out at step 1). This result is the estimated total consideration for creditable acquisitions of trading stock in the tax period.

*Step 4 – Input tax credits for creditable acquisitions of trading stock for the tax period*

39. The total amount of input tax credits for creditable acquisitions of trading stock for the tax period is one-eleventh of the estimated total consideration for creditable acquisitions of trading stock in that period (that is, one-eleventh of the amount worked out at step 3).

***Example 1***

*Cafe Co accounts on a cash basis and lodges quarterly business activity statements (BASs). It chooses to use the SAM for the 1 October 2027 to 31 December 2027 quarter. Because the quarter begins on or after 1 July and ends on or before 31 December, Cafe Co may choose any continuous 4 week sample period between 1 June 2027 and 31 July 2027. It chooses 1 June 2027 to 28 June 2027.*

*For the chosen 4 week sample period, the Cafe Co provided consideration of $8,800 for all trading stock acquisitions. Of that amount, $2,200 related to GST-free trading stock acquisitions.*

*For the quarter 1 October 2027 to 31 December 2027, Cafe Co provided total consideration of $39,600 for all trading stock acquisitions. GST on the taxable supplies for that quarter is $18,700. Cafe Co does not have any creditable acquisitions that are not trading stock or any creditable importations in that quarter.*

*Step 1*

*Total consideration for all trading stock acquisitions in the tax period = $39,600.*

*Step 2*

*To calculate the estimated GST-free trading stock acquisitions in the tax period, the GST-free trading stock proportion for the tax period must first be worked out and then applied to the total consideration for all trading stock acquisitions in the tax period.*

*GST-free trading stock proportion for the sample period = $2,200 ÷ $8,800 = 0.25.*

*Estimate of GST-free trading stock for the period = $39,600 × 0.25 = $9,900.*

*Step 3*

*Estimated creditable acquisitions of trading stock in the tax period =$39,600 − $9,900 = $29,700.*

*Step 4*

*ITCs for creditable acquisitions of trading stock = $29,700 ÷ 11 = $2,700.*

*The Cafe Co's net amount for the quarter is therefore worked out as follows:*

- *GST on taxable supplies = $18,700*
- *less ITCs for creditable acquisitions of trading stock under the SAM = $2,700*

- *net amount = $16,000.*

*Accordingly, the Cafe Co reports GST of $18,700 and $2,700 of ITCs for trading stock and has a payable net amount of $16,000 for the quarter.*

### *Section 8 – Simplified accounting method – annual tax periods*

40. Section 8 sets out the SAM for eligible retailers with annual tax periods (a financial year). The section uses the same net amount formula as section 7:

*GST minus input tax credits*

41. GST is worked out under the ordinary rules – that is, the sum of all GST for which the retailer is liable on taxable supplies that are attributable to the annual tax period.

42. Under section 8, ITCs for creditable acquisitions of trading stock are worked out separately for the two 6 month periods in the financial year, that is 1 July to 31 December and 1 January to 30 June. This is done by applying the method statement twice, using a different 4 week sample period for each 6 month period, and then adding the results.

### *Sample periods*

43. There are two 4 week sample periods used in section 8 to cover the two 6 month periods in the financial year.

44. The first 4 week sample period can be:

- for the 6 month period beginning on 1 July and ending on 31 December in a year (July–December period), any continuous 4 week period that occurs between 1 June and 31 July in that year; or
- if the retailer first starts trading during the July–December period, any continuous 4 week period that occurs within the first two months of trading.

45. The second 4 week sample period can be:

- for the 6 month period beginning 1 January and ending on 30 June in a year (January–June period), any continuous 4 week period that occurs between 1 December in the previous year and 31 January that year; or
- if the retailer first starts trading during the January to June period, any continuous 4 week period that occurs within the first two months of trading.

### *Entities accounting on a cash basis*

46. For the July to December period, the retailer works through steps 1 to 7 in section 8 using:

- trading stock acquisitions and GST-free trading stock acquisitions in the first 4 week sample period for steps 1 to 3; and
- total trading stock acquisitions for the July–December period for step 4. The result at step 7 is the ITCs for the July–December period.

47. The retailer then repeats steps 1 to 7 for the January–June period using the second 4 week sample period (steps 1 to 3) and total trading stock acquisitions for the January–June period (step 4).

48. Finally, the retailer adds the results for each 6 month period (steps 7 and 8) to obtain the total ITCs for the annual tax period (step 9).

### *Entities accounting on a non-cash basis*

49. For a retailer that accounts on a non-cash basis, the process is the same, except that for the calculations at step 1 (sample period) and step 4 (for each 6 month period) the total consideration is worked out for all trading stock acquisitions in the relevant period by adding together the relevant consideration for each of those acquisitions.

50. Splitting the annual tax period into two 6 month periods supports a more accurate estimate for annual lodgers by better reflecting changes in purchasing patterns across the year (including seasonal variation).

**_Example 2_**

*Caterer Co lodges their BAS annually and accounts on a non-cash basis. It chooses to use the SAM for the 2027–28 financial year. Because it accounts on a non-cash basis, all amounts below are determined using the relevant consideration for each acquisition (that is, the amount paid or, if an invoice was issued before payment, the invoice amount). The Caterer Co's GST on taxable supplies for the 2027–28 annual tax period is $41,800. Caterer Co does not have any creditable acquisitions that are not trading stock or any creditable importations in that financial year.*

*July–December period*

*Caterer Co chooses 1 June 2027 to 28 June 2027 as its first 4 week sample period. In that sample period, the total relevant consideration for all trading stock acquisitions is $13,200, of which $3,300 relates to GST-free trading stock acquisitions. For the 6 month period 1 July 2027 to 31 December 2027, the total relevant consideration for all trading stock acquisitions is $66,000.*

*Step 1*

*Total relevant consideration for all trading stock acquisitions in the first sample period = $13,200.*

*Step 2*

*Total relevant consideration for GST-free trading stock acquisitions in the first sample period = $3,300.*

*Step 3*

*GST-free proportion for the first sample period = $3,300 ÷ $13,200 = 0.25.*

*Step 4*

*Total relevant consideration for all trading stock acquisitions in the July–December period = $66,000.*

*Step 5*

*Estimated GST-free trading stock acquisitions for the July–December period = $66,000 ×0.25 = $16,500.*

*Step 6*

*Estimated creditable acquisitions of trading stock for the July–December period = $66,000 −$16,500 = $49,500.*

*Step 7*

*ITCs for the July–December period = $49,500 ÷ 11 = $4,500.*

*January–June period*

*Caterer Co chooses 1 December 2027 to 28 December 2027 as its second 4 week sample period. In that sample period, the total relevant consideration for all trading stock acquisitions is $12,100, of which $2,200 relates to GST-free trading stock acquisitions. For the 1 January 2028 to 30 June 2028, the total relevant consideration for all trading stock acquisitions is $72,600.*

*Step 8 (repeating steps 1 to 7 for the second half-year)*

*GST-free proportion for the second sample period = $2,200 ÷$12,100 = 0.18.*

- *Applying that proportion to $72,600 gives estimated GST-free trading stock acquisitions of $13,200*
- *estimated creditable acquisitions are therefore $72,600 − $13,200 = $59,400.*

*ITCs for the January–June period = $59,400 ÷11 = $5,400.*

*Step 9*

*Total ITCs for the annual tax period = $4,500 + $5,400 = $9,900.*

*Caterer Co's net amount for the annual tax period is therefore worked out as follows:*

- *GST on taxable supplies for the year = $41,800*
- *less total ITCs for creditable acquisitions of trading stock under the SAM = $9,900*
- *net amount = $31,900.*

*Accordingly, the caterer reports GST of $41,800, claims $9,900 of ITCs for trading stock, and has a payable net amount of $31,900 for the annual tax period.*

**Compliance cost assessment**

51. To be advised.

**Consultation**

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

53. 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.

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| **Due date:** | 28 August 2026 |
| **Contact officer:** | Barry Chen |
| **Email:** | barry.chen@ato.gov.au |
| **Phone:** | **07 3213 5697** |

## Statement of compatibility with human rights

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

### A New Tax System (Goods and Services Tax) (Simplified Accounting Method for Restaurants, Cafes and Caterers) Determination 2026

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 provides eligible restaurants, cafes and caterers with an optional simplified accounting method (purchases snapshot method) to work out input tax credits for trading stock purchases to use when working out their net amount for a tax period.

### Human rights implications

This legislative instrument does not engage any of the applicable rights or freedoms. The instrument is intended to reduce compliance costs for eligible entities by providing an optional method for working out input tax credits within the framework authorised by Division 123 of the *A New Tax System (Goods and Services Tax) Act 1999*.

### Conclusion

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