Australian Government
Australian Taxation Office

Australian Taxation Office Legislative Instrument
Instrument ID: SAM 2006/1

A New Tax System (Goods and Services Tax) Simplified Accounting Method Determination (No. 1) 2006

I make the following determination under subsection 123-5(1) of the *A New Tax System (Goods and Services Tax) Act 1999*:

Citation

1. This determination may be cited as the *A New Tax System (Goods and Services Tax) Act 1999 Simplified Accounting Method Determination (No. 1) 2006*.

Commencement and application

2. (1) This determination commences on 1 October 2006.

   (2) This determination applies to net amounts for tax periods that start on or after 1 October 2006.

Definitions

3. Terms in this determination that are defined in the *A New Tax System (Goods and Services Tax) Act 1999* have the same meaning in this determination as they have in that Act.

Eligibility

4. You may choose to use the simplified accounting method in clause 5 to calculate the amount of your input tax credits for the acquisitions of your trading stock for a tax period if:

   (a) you are registered for GST throughout the tax period; and

   (b) during the tax period, you operate a restaurant, cafe, or catering business; and

   (c) your annual turnover does not exceed $2 million (GST-exclusive).

   Note: It is irrelevant whether or not you have adequate point-of-sale equipment.

Method

5. (1) The simplified accounting method is as follows:

(a) For each financial year, select a continuous four-week sample period during 1 June to 31 July, and select another continuous four-week sample period during 1 December to 31 January. For each sample period, record the amounts and the GST status of your trading stock purchases.

Note: Two new calculations of the GST-free percentage must be done (about every six months) to calculate the amount of GST-free trading stock for the tax period(s) in each financial year.

(b) For an existing business which starts to use this simplified accounting method where the start date is not from 1 June to 31 July or from 1 December to 31 January, the first sample period can be either:

(i) a four-week period in the tax period in which you start to use the SAM, or

(ii) a four-week period during either 1 June to 31 July or 1 December to 31 January, whichever has just elapsed.

(c) If you start your business part way through the financial year, your first sample period must be in the first two months of trading.

Note: "first two months of trading" means the first two months where you started selling food to your customers.

(2) (a) Calculate the amount of trading stock that you purchase during each four-week sample period using one of the following methods:

(i) If you account on a cash basis, the amount is the total consideration you provide during the four-week sample period for trading stock purchases.

(ii) If you do not account on a cash basis, the amount is the total price of trading stock for which the earlier of the following occurs during the four-week sample period:

- you provide any of the consideration; or
- an invoice was issued for the acquisition.

(b) From the amount of trading stock that you calculated at 5(2)(a), determine the amount which relates to GST-free acquisitions.

(c) Divide the total at 5(2)(b) by the total at 5(2)(a) and express the result as a percentage. This is the percentage of your GST-free trading stock that you purchased for the sample period.

(d) Calculate the amount of trading stock that you purchased during a tax period by using one of the following methods:

(i) If you account on a cash basis, the amount is the total consideration you provide during the tax period for trading stock purchases.

(ii) If you do not account on a cash basis, the amount is the total price of any trading stock for which the earlier of the following occurs during the tax period:

- you provide any of the consideration; or
- an invoice was issued for the acquisition.

(e) The amount of GST-free trading stock for each tax period is calculated as follows:

(i) GST-free trading stock purchases for tax periods in July to December is calculated by multiplying the percentage of GST-free trading stock from the sample period during 1 June to 31 July (of the same calendar year) to the amount of trading stock you purchased in each tax period;

(ii) GST-free trading stock purchases for tax periods in January to June is calculated by multiplying the percentage of GST-free trading stock from the sample period during 1 December to 31 January (of the same financial year) to the amount of trading stock you purchased in each tax period;

(iii) If your tax period is a financial year then the amount of GST-free trading stock from:

(1) July to December is calculated by multiplying the percentage of GST-free trading stock from the sample period 1 June to 31 July (of the same calendar year) to the amount of trading stock you purchase from July to December;

(2) January to June is calculated by multiplying the percentage of GST-free trading stock from the sample period 1 December to 31 January (of the same financial year) to the amount of trading stock you purchase from January to June.

(f) For each tax period, subtract 5(2)(e) from 5(2)(d).

(g) Multiply 5(2)(f) by 1/11th. This is your input tax credit entitlement for the acquisitions mentioned in paragraph 5(2)(d). Your net amount for the tax period is otherwise worked out in accordance with Division 17 of the GST Act.

(3) If:

- a creditable acquisition has been included in paragraph 5(2)(d) for a tax period; and

- your GST return for a subsequent tax period (where you are not using the method specified in this determination) includes an input tax credit for an acquisition covered by paragraph 5(2)(d) for an earlier tax period;

then your net amount for that earlier tax period is increased by the amount of that credit.

(4) It is not a requirement that a tax invoice be held for an acquisition for it to be included in the calculation of your input tax credit entitlement for your trading stock purchases for a tax period whilst using the method specified in this determination.

Dated this Seventh day of August 2006

Signed by Mark Jackson

Deputy Commissioner and Delegate of the Commissioner