



Australian Government
Australian Taxation Office

Simplified GST Accounting Methods Legislative Instrument (No. 1) 2007

I, Shane Reardon, Deputy Commissioner of Taxation, make this determination under 123-5 (1) of the *A New Tax System (Goods and Services Tax) Act 1999*.

Shane Reardon

Deputy Commissioner of Taxation

Dated: 14 August 2007

1. Name of Determination

This determination is the *Simplified GST Accounting Methods Legislative Instrument (No. 1) 2007*.

2. Commencement

This determination is taken to have commenced on 1 October 2007.

3. Application

This determination applies to net amounts for tax periods that start on or after 1 October 2007.

4. Who is covered by this Determination

This determination applies to food retailers who meet the eligibility requirements below.

5. What this Determination does

This determination:

- a) revokes legislative instrument *F2006B00275 - A New Tax System (Goods and Services Tax) (Simplified GST Accounting Methods) Determination (2001)* with effect from 1 October 2007; and
- b) specifies the methods that eligible food retailers may use for working out net amounts for tax periods to which this determination applies.

6. Eligibility- the general rule

Subject to this determination, you may use a simplified GST accounting method specified in this determination if:

- (a) you are a **retailer that sells taxable and GST-free food**; and

- (b) you have a **SAM turnover** of not more than \$2 million; and
- (c) you do not have **adequate point-of-sale equipment**.

Note:

1. There are additional eligibility requirements for using the business norms and stock purchases methods.
2. Some terms in this determination are defined and are shown in bold italics when first used.

7. **Methods**

The simplified GST accounting methods that you may use in this Determination are:

- (a) the business norms method; and
- (b) the stock purchases method; and
- (c) the snapshot method.

Note:

The Commissioner has published a booklet (Simplified GST Accounting Methods (NAT 3185)) that shows how to use the methods; and Fact Sheets for certain retailers using the business norms method.

8. **Business norms method**

- (1) If you meet the requirements of clause 6 and you operate one of the following retail businesses, you may use the relevant business norms method specified in this clause:
 - a cake shop;
 - a **continental delicatessen**;
 - a **convenience store** (that is a **converter**);
 - a convenience store (that is a **reseller**);
 - a rural convenience store;
 - a fresh fish shop;
 - a health food shop;
 - a hot bread shop;
 - a pharmacy.

Business norms method – cake shop

- (2) If you operate a cake shop, you may use the business norms method specified in subclause 8(3) if:
 - the cash flow of the cake shop consists mainly of sales of cakes, pastries or similar products, as opposed to products of bakeries or bread businesses; and
 - the cake shop does not operate as a café.
- (3) To estimate your GST-free sales and GST-free purchases, you multiply your total **trading sales** and your total purchases of trading stock for

every tax period by the following 'business norm' percentages respectively:

- for your GST-free sales - 2%; and
- for your GST-free purchases of stock – 95%.

Business norms method – continental delicatessen

- (4) If you operate a **continental delicatessen**, you may use the business norms method specified in subclause 8(5).
- (5) To estimate your GST-free sales and GST-free purchases, you multiply your total **trading sales** and your total purchases of trading stock for every tax period by the following 'business norm' percentages respectively:
- for your GST-free sales - 85%; and
 - for your GST-free purchases of stock – 90%.

Business norms method – convenience store that is a converter

- (6) If you operate a **convenience store**, you may use the business norms method specified in subclause 8(7) if:
- you are a **converter**, and
 - you do not sell fuel or alcoholic beverages.
- (7) To estimate your GST-free sales and GST-free purchases, you multiply your total **trading sales** and your total purchases of trading stock for every tax period by the following 'business norm' percentages respectively:
- for your GST-free sales – 22.5%; and
 - for your GST-free purchases of stock – 30%.

Business norms method – convenience store that is a reseller

- (8) If you operate a **convenience store**, you may use the business norms method specified in subclause 8(9) if:
- you are a **reseller**, and
 - you do not sell fuel or alcoholic beverages.
- (9) To estimate your GST-free sales and GST-free purchases, you multiply your total **trading sales** and your total purchases of trading stock for every tax period by the following 'business norm' percentages respectively:
- for your GST-free sales – 30%; and
 - for your GST-free purchases of stock – 30%.

Business norms method – rural convenience store

- (10) If you operate a rural **convenience store**, you may use the business norms method specified in subclause 8(11) if:
- you do not sell alcoholic beverages; and
 - you do not have **adequate GST point-of-sale equipment**, even if the store has adequate point-of-sale equipment to identify and record fuel and Australia Post business sales.

- (11) To estimate your GST-free sales and GST-free purchases:
- (a) deduct any fuel or Australia Post agency business sales from your total **trading sales**; and
 - (b) deduct any fuel or Australia Post agency business purchases from your total purchases; and
 - (c) multiply each result from paragraph (a) and paragraph (b) by the following relevant business norm percentage, according to whether you are a converter or a reseller:
 - for your GST-free sales –
 - if you are converter – 22.5%; or
 - if you are a reseller – 30%; and
 - for your GST-free purchases of stock –
 - if you are converter – 30%; or
 - if you are a reseller – 30%.

Business norms method – fresh fish shop

- (12) If you operate a retail fresh fish shop, you may use the business norms method specified in subclause 8(13) if:
- you mainly sell fresh fish and other seafood, with some sales of cooked fish and chips; and
 - your shop is not a 'fish and chip shop' or takeaway business that mainly sells cooked fish and chips with only a small amount of fresh seafood sales.
- (13) To estimate your GST-free sales and GST-free purchases, you multiply your total **trading sales** and your total purchases of trading stock for every tax period by the following 'business norm' percentages respectively:
- for your GST-free sales - 35%; and
 - for your GST-free purchases of stock – 98%.

Business norms method – health food shop

- (14) If you operate a health food shop, you may use the business norms method specified in subclause 8(15) if:
- the cash flow of the health food shop comes from sales of food, food supplements, vitamins and other health food products; and
 - you are not a converter.
- (15) To estimate your GST-free sales and GST-free purchases, you multiply your total **trading sales** and your total purchases of trading stock for every tax period by the following 'business norm' percentages respectively:
- for your GST-free sales - 35%; and
 - for your GST-free purchases of stock – 35%.

Business norms method – hot bread shop

- (16) If you operate a hot bread shop, you may use the business norms method specified in subclause 8(17) if the cash flow of the shop consists mainly of sales of bread as opposed to sales of cakes.
- (17) To estimate your GST-free sales and GST-free purchases, you multiply your total **trading sales** and your total purchases of trading stock for every tax period by the following 'business norm' percentages respectively:
- for your GST-free sales - 50%; and
 - for your GST-free purchases of stock – 75%.

Business norms method – pharmacy

- (18) If you operate a pharmacy, you may use the business norms method specified in subclause 8(19) and 8(20) if your pharmacy:
- has dispensary sales (for example claimable NHS prescriptions); and
 - has non-claimable private prescriptions and over-the-counter sales, including food sales; and
 - does not have adequate point-of-sale equipment to identify and record the over-the-counter mix of taxable and GST-free sales, even if the dispensary systems (with the shop front point-of-sale equipment) can identify and record the dispensary sales (for claimable NHS prescriptions).
- (19) To estimate your GST-free sales:
- (a) deduct the patient contribution for claimable NHS prescriptions from your total amount of **trading sales** that your shop front point-of-sales equipment has recorded; and
 - (b) identify the non-claimable dispensary and over-the-counter components of the result from paragraph (a); and
 - (c) multiply each component identified in paragraph (b) by the following relevant 'business norm' percentages respectively:
 - Dispensary: Non claimable – 98%; and
 - Over the counter – 47.5%; and
 - (d) add up the results from paragraph (c) and your claimable dispensary sales to work out your total GST-free sales.
- (20) To estimate your GST-free purchases, multiply your total purchases of trading stock by the following relevant 'business norm' percentages respectively:
- Dispensary: Non claimable – Nil; and
 - Over the counter – 2%.

9. Stock purchases method

- (1) The stock purchases method is only available to **resellers**. It is not available to **converters**.

- (2) You may use the stock purchases method:
 - (a) for every tax period; or
 - (b) for two four-week sample periods; or
 - (c) if it applies, a 5% GST-free stock estimation basis.

Every tax period

- (3) To estimate your GST-free sales for every tax period, you may calculate your GST-free stock purchases and work out your percentage of total stock purchases that are GST-free for every tax period, and then apply this percentage to your total sales.

Two four-week sample periods

- (4) You may calculate your percentage of total purchases that are GST-free for two four-week periods during the financial year. The four-week sample periods must be continuous. A calculation must be taken in each of the periods:
 - 1 June–31 July (to cover the period from July to December), and
 - 1 December–31 January (to cover the period from January to June).
- (5) You may apply the GST-free percentage of stock purchases to both your total stock purchases and sales, to calculate your GST-free stock purchases and sales for the six months following the sample period.
- (6) If you start a business during the financial year, then the first sample period must occur within the first two months of trading.

5% GST-free stock estimation basis

- (7) You may use the 5% GST-free stock estimation basis for goods that it purchases and resells GST-free, if those purchases do not exceed 5% of total stock purchases.
- (8) To calculate GST-free purchases made during each tax period, you must record and add the total amount of your GST-free purchases. To calculate GST-free sales made during each tax period, you may apply your profit mark-ups to your GST-free purchases, to estimate your GST-free sales.

10. Snapshot method

- (1) You may calculate your GST-free stock purchases as a percentage of total stock purchases and your GST-free sales as a percentage of total stock sales.
- (2) You may use the snapshot method:
 - (a) for two sample periods; or
 - (b) for every tax period; or
 - (c) if it applies a 5% GST-free stock estimation basis.

Two sample periods

- (3) You may calculate your percentage of total purchases that are GST-free (that is, your 'purchases GST-free percentage') for two four-week periods during the financial year. You may calculate the percentage of your total sales that are GST-free (that is, your 'sales GST-free percentage') for

two two-week periods during the financial year. The four-week and two-week sample periods (the 'snapshots') must be continuous. A snapshot must be taken in each of the periods:

- 1 June–31 July (to cover the period from July to December), and
 - 1 December–31 January (to cover the period from January to June).
- (4) You may apply the purchases GST-free percentage to total stock purchases, to calculate your GST-free stock purchases for the six months following the sample period. You may apply the sales GST-free percentage to your total stock sales, to calculate your GST-free stock sales for the six months following the sample period.
- (5) If you start a business during the financial year, then the first sample period must occur within the first two months of trading.

Every tax period

- (6) You may calculate your percentage of total sales that are GST-free for two two-week periods during the financial year. The two-week sample periods (the 'snapshots') must be continuous. A snapshot must be taken in each of the periods:
- 1 June–31 July (to cover the period from July to December), and
 - 1 December–31 January (to cover the period from January to June).
- (7) You may apply the sales GST-free percentage to your total stock sales to calculate your GST-free stock sales for the six months following the sample period. If you start a business during the financial year, then the first sample period must occur within the first two months of trading.
- (8) You may calculate your actual GST-free purchases every tax period from its records.

5% GST-free stock estimation basis

- (9) You may use a 5% GST-free stock estimation basis if your GST-free sales do not exceed 5% of total stock sales.
- (10) You may record and add your net amount of GST-free purchases (GST-free purchases reduced by the amount of purchases converted into taxable goods) for each GST-free product line that you resell GST-free, and apply your mark-ups to work out your GST-free sales. To work out your GST-free purchases you may either do a snapshot of your purchases or work out your actual GST-free purchases.

11. Definitions

In this determination:

Adequate point-of-sale equipment means point-of-sale equipment that can:

- identify and record each separate supply by a food retailer as being GST-free or taxable, and
- identify and record the total amount of GST-free sales of a food retailer and the total amount of sales of the food retailer.

Adequate point-of-sale equipment includes:

- electronic scanning systems

- touch screen registers, and
- product-specific cash registers.

Continental delicatessen means a store that predominantly sells processed meats, smallgoods, salamis, cheeses and similar items. However, it does not include a store:

- where the majority of sales are grocery items, even if the store is called a deli, delicatessen or continental delicatessen; or
- that makes any café or restaurant supplies.

Convenience store means a store that sells a mixture of goods including bread, milk, dairy products, cigarettes, confectionery, grocery lines and takeaway food (for example, freshly prepared sandwiches).

However, a store is not a convenience store if the income of the business is predominantly from the sales of takeaway or dine-in food (for example, a fish and chip shop).

Converter means a food retailer that purchases GST-free goods and converts those goods into taxable goods. It includes a food retailer that buys bread and sandwich ingredients and converts them into sandwiches.

Reseller means a food retailer that purchases stock GST-free and resells it in an unchanged form, for example, bread and sandwich ingredients. It does not include a food retailer that converts the stock into taxable products (for example, a food retailer that converts bread and sandwich ingredients into sandwiches).

Retailer that sells taxable and GST-free food means a retailer that sells food that is subject to GST and food not subject to GST from the same premises. For example, it includes a business that sells fresh fruit (GST-free) and soft drink (taxable).

SAM turnover means either:

- the total GST-exclusive amount of the food retailer's **trading sales** for the last financial year; or
- the projected GST-exclusive amount of the food retailer's trading sales for the current financial year.

However:

- if a food retailer starts running its business part way through a financial year, then the food retailer must make an estimate of its trading sales for a 12 month period commencing from when it started to run the business;
- for the business norms method, if the business is a pharmacy – SAM turnover does not include dispensary sales of claimable NHS prescriptions, including any patient contributions; or
- for the business norms method, if the business is a **rural convenience store**, SAM turnover does not include:
 - fuel sales; and
 - trading sales from operating an Australia Post agency.

Trading sales means sales of trading stock and any other trading income, but excludes sales of capital assets and other sales made solely in ceasing or scaling down the business.