



# ***GSTA TPP 066 - Goods and services tax: Do Division 17 and Division 27 of the Income Tax Assessment Act 1997 (ITAA) operate for food retailers using a simplified method?***

 This cover sheet is provided for information only. It does not form part of *GSTA TPP 066 - Goods and services tax: Do Division 17 and Division 27 of the Income Tax Assessment Act 1997 (ITAA) operate for food retailers using a simplified method?*

 This document has changed over time. This is a consolidated version of the ruling which was published on *14 June 2005*



## Goods and Services Tax Advice

### **Goods and services tax: Do Division 17 and Division 27 of the *Income Tax Assessment Act 1997* (ITAA) operate for food retailers using a simplified method?**

#### **Preamble**

*This document is a ruling for the purposes of section 37 of the Taxation Administration Act 1953. You can rely on the information presented in this document, which provides advice on the operation of the GST system.*

#### **Answer**

Division 17 and 27 of the ITAA apply to all taxpayers, irrespective of whether a simplified accounting method is used in calculating their GST liability.

#### **Background**

To simplify accounting for food retailers, three simplified GST accounting methods are available. The methods allow small retailers to estimate their total GST-free sales and purchases at the end of each tax period rather than having to record each GST-free product when it is sold or at purchase.

- **Business norms method** - where you apply standard percentages to your sales and purchases to estimate your GST-free sales and purchases. Retailers who use this method must have an annual turnover that is \$1 million or less.
- **Stock purchases method** - where you take a sample of purchases and use this sample to estimate your GST-free purchases and sales. Retailers who use this method must have an annual turnover that is \$2 million or less.
- **Snapshot method** - where you take a snapshot of your purchases and sales to estimate your GST-free purchases and sales. Retailers who use this method must have an annual turnover that is \$2 million or less.

#### **Explanation**

Divisions 17 and 27 of the ITAA ensure that the calculation of a taxpayer's taxable income disregards the GST payable on the taxpayer's taxable supplies, the input tax credits on the taxpayer's creditable acquisitions and any adjustments of that GST amount or those credits.

Division 17 ensures that a taxpayer's assessable income does not include the GST component of the consideration for the taxpayer's taxable supplies. However, it requires that the amount of any decreasing adjustment of GST is included in assessable income.

Division 27 denies a deduction for the GST component of a loss or outgoing on an acquisition to the extent that the taxpayer is entitled to an input tax credit for the acquisition or a decreasing adjustment. Where there is an entitlement to an input tax credit, a deduction that is otherwise allowable must be reduced by the amount of the input tax credit.

#### **Application of this GST Advice**

This Advice explains our view of the law as it applied from 1 July 2000. You can rely on this Advice on and from its date of issue for the purposes of section 37 of the *Taxation Administration Act 1953*. Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

If this Advice conflicts with a previous private ruling that you have obtained, this public ruling prevails. However, if you have relied on a private ruling, you are protected in respect of what you have done up to the date of issue of this public ruling. This means that if you have underpaid an amount of GST, you are not liable for the shortfall prior to the date of issue of this later ruling. Similarly, you are not liable to repay an amount overpaid by the Commissioner as a refund.

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**Commissioner of Taxation**  
Date

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#### **Subject references:**

simplified accounting methods

**Legislative references:**

ITAA 1997 Div 17  
ITAA 1997 Div 27  
ANTS(GST)A 1999 Div 123  
TAA 1953 37

**Other references:**

*Simplified GST accounting for food retailers (NAT 3185-6.2001)*

**ATO references**

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