


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?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *31 October 2012*



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 was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the **Taxation Administration Act 1953** and former section 105-60 of Schedule 1 to the **Taxation Administration Act 1953**.*

*From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the **Taxation Administration Act 1953**.*

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

[Note: *This is a consolidated version of this document. Refer to the Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]*

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 applies [to tax periods commencing] both before and after its date of issue. However, this Advice will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Advice (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

Commissioner of Taxation

14 June 2005

Related Rulings/Determinations/GST Advice:

TR 2006/10

Subject references:

simplified accounting methods

Legislative references:

ITAA 1997 Div 17

ITAA 1997 Div 27

ANTS(GST)A 1999 Div 123

TAA 1953 Sch 1 Div 358

Other references:

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

ATO references

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