

***GSTB 2000/1A - Goods and Services Tax Bulletin -
Goods and services tax: Special credit for sales tax
paid on stock***



Addendum

Goods and Services Tax Bulletin

Goods and services tax: Special credit for sales tax paid on stock

This Addendum incorporates the earlier Addendum to GSTB 2000/1 which issued on 14 June 2000.

Goods and Services Tax Bulletin GSTB 2000/1 provides four different methods to calculate the special credit for wholesale sales tax (WST) paid on stock. One of those methods, Method 1 - Retail, is a simplified calculation where goods are acquired directly from a retailer and the amount of WST paid is difficult to ascertain from the invoice provided by the retailer. The special credit amount is calculated using the following formula:

$$\text{Special credit} = \text{Purchase price} \times 50\% \times \text{WST rate}$$

Where the 50% rate is not appropriate for a particular industry, GSTB 2000/1 provides the opportunity for industry associations to approach the ATO to establish an alternate rate.

An alternate rate has now been developed for motor vehicle smash and mechanical repairers (other than where such activities are undertaken in, or by, new or used car dealerships). It has been developed in conjunction with the Motor Traders Association of Australia after the issue of GSTR 2000/8 and GSTB 2000/1. If you use this alternate rate, it is subject to the Method 1 conditions outlined in the Bulletin.

The following alternate rate is included on page 12 of GSTB 2000/1, before the heading *Method 2 – Mixed Business – Calculation for a small mixed business using a 6 week analysis of purchases.*

At page 12 (Add)**Alternate Rate**

Motor vehicle smash and mechanical repairers can use the alternate rate of 64% in the Method 1 formula:-

$$\text{Special credit} = \text{Purchase price} \times 64\% \times \text{WST rate}$$

The use of this alternate rate is subject to the following conditions:

- The rate applies to goods acquired directly from retailers where the WST paid is not disclosed on the retailers' invoices;
- The rate does not apply for or in connection with motor vehicle smash and mechanical repairs undertaken in or by new or used car dealerships; and
- The other conditions required in this Bulletin.

Goods and Services Tax Bulletin GSTB 2000/1 (GSTB 2000/1) provides four different methods to calculate the special credit for wholesale sales tax (WST) paid on stock. One of those methods, Method 3, is a simplified calculation based on a business average WST rate. The special credit amount is the total cost of the stock of those goods held for sale at the start of 1 July 2000 multiplied by the business average WST rate for your business.

GSTB 2000/1 lists business average WST rates for convenience stores/milk bars, small grocers and supermarkets, hardware stores and 'traditional' record stores.

A business average WST rate has now been developed for service stations. It has been developed in conjunction with the Motor Traders Association of Australia after the issue of GSTB 2000/1. If you use this new business average WST rate it is subject to the Method 3 conditions outlined in the Bulletin.

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Business	Business average WST rate	Limit for stock of goods
(e) Service stations	7.5%	\$80,000**

** *The stock limit of \$80,000 is exclusive of the stock of fuel (i.e., petrol and diesel).*

Commissioner of Taxation
23 August 2000

ATO references:
NO T2000/4313
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