

TD 2002/26 - Income tax: value of goods taken from stock for private use

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 This document has changed over time. This is a consolidated version of the ruling which was published on *4 December 2002*



Taxation Determination

Income tax: value of goods taken from stock for private use

Preamble

*This document does not rule on the application of a 'tax law' (as defined) and is, therefore, not a 'public ruling' for the purposes of Part IVAAA of the **Taxation Administration Act 1953**. The document is, however, administratively binding on the Commissioner of Taxation. Taxation Rulings TR 92/1 and TR 97/16 together explain when a Ruling is a 'public ruling' and how it is binding on the Commissioner.*

Date of effect

This Determination applies for the 2002-2003 year of income. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Introduction

1. This Taxation Determination updates the Schedule to Taxation Determination TD 2001/25 for the 2002-2003 income year and should be read with IT 2659.

Background

2. The Australian Taxation Office (ATO) has previously issued 'Goods Own Use' (GOU) amounts for a range of industries. These amounts are estimates of trading stock taken by taxpayers in named industries for private use.

Methodology

Selection of industries

3. Industries suitable for inclusion in the Schedule should:

- exhibit a transformation process of trading stock items (e.g., baking);
- have as trading stock a range of small items or ingredients, usually of low value;
- not be suited to inventory systems;
- have a high turnover of items, often for cash.

4. The Schedule of industries is:

Bakery
Butcher
Restaurant/cafe (licensed)
Restaurant/cafe (unlicensed)
Caterer
Delicatessen
Fruiterer/greengrocer
Takeaway food shop
Mixed business (incorporating milk bar, general store and convenience store)

Determination of amounts

5. The basis for determining values of goods taken from stock are derived from the latest¹ Household Expenditure Survey (HES) results issued by the Australian Bureau of Statistics adjusted for Consumer Price Index (CPI) movements for each category of items.² The ABS collects, at varying intervals, detailed information about the expenditure, income and household characteristics of approximately 8,400 households resident in private dwellings throughout Australia. Information is collected during personal interviews and from diaries in which survey participants have recorded all personal expenditure over a two week period. Interviews and diary-keeping are spread over the financial year of collection. At the 'fine' level of expenditure, the survey details household expenditure in over 700 categories of items across a range of household composition groups.³ It is considered that these survey results provide reasonable and statistically valid estimates as to the community's level of spending on a wide range of items.

6. Using the HES data, consideration has been given to the fine level expenditure items and which items would be present in the trading stock of the Schedule of industries. The stock items are generally limited to the HES 'food and non-alcoholic beverage' broad category, except for Licensed Restaurants/Cafes where 'alcoholic beverage' items have been included,⁴ and Caterer where some 'household equipment' items are included.

7. The main assumption in calculating GOU amounts is that if a business has an item in stock then the taxpayer would take the item from stock for own use rather than purchase the item elsewhere. **The GOU amounts (excluding GST) appear in the schedule at paragraph 8.** However, taxpayers should regard these GOU amounts as a guide only. Taxpayers may always choose to maintain suitable records⁵ of items taken from trading stock for personal use.

Schedule for the value of goods taken from trading stock

8. Based on the above methodology, the Schedule for the value of goods taken from trading stock for private use in the 2002-2003 income year is:

¹ 1998-1999

² This figure is rounded up to the nearest \$10 for Adults

³ For example, sole person, couple, couple with one dependent, etc

⁴ For Adults but not for Children

⁵ See Section 262A of the *Income Tax Assessment Act 1936* and TR 96/7

Type of business	Amount (excluding GST) for Adult / Child over 16 years	Amount (excluding GST) for Child 4-16 years
Bakery	890	445
Butcher	650	325
Restaurant/cafe (licensed)	2990	1190
Restaurant/cafe (unlicensed)	2380	1190
Caterer	2560	1280
Delicatessen	2380	1190
Fruiterer/greengrocer	570	285
Takeaway food shop	2340	1170
Mixed business (includes milk bar, general store, and convenience store)	2930	1465

Updating the Schedule

9. It is intended to adjust the values annually to reflect either the most recent HES data or the HES data uplifted for CPI movements and reissue the Schedule at the commencement of each income year.

Commissioner of Taxation
4 December 2002

Previous draft:

Not previously issued in draft format

Related Rulings/Determinations:

IT 2659; TR 92/1; TR 92/20; TR 97/16; TD 1999/41; TD2001/25

Subject references:

- private use
- record keeping
- trading stock
- value of goods taken from stock

Legislative references:

- ITAA 1936 262A
- TAA 1953 Pt IVAAA
