



A New Tax System (Goods and Services Tax) (Simplified GST Accounting Methods) Determination 2001

I, GEOFF MILLS, Acting Assistant Commissioner, Goods and Services Tax, and delegate of the Commissioner of Taxation, make this Determination under subsection 123-5 (1) of the *A New Tax System (Goods and Services Tax) Act 1999*.

Dated: 1 June 2001

Geoff Mills

Acting Assistant Commissioner, Goods and Services Tax

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Part 1 Preliminary

1.1 Name of Determination

This Determination is the *A New Tax System (Goods and Services Tax) (Simplified GST Accounting Methods) Determination 2001*.

1.2 Commencement

This Determination commences on 1 June 2001.

1.3 Definitions

In this Determination:

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999*.

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.

Annual turnover is not more than the relevant threshold means for a simplified GST accounting method, either:

- \$1 million if a food retailer uses the business norms method; or
- \$2 million if it uses the stock purchases or the snapshot method.

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

Information about simplified GST accounting methods

Under section 123-5 of the Act, the Commissioner may determine in writing an arrangement (to be known as a simplified GST accounting method) that:

- (a) specifies the kinds of retailers to whom it is available; and
- (b) provides a method for working out net amounts of retailers to whom the method applies.

The kinds of retailer that can be specified must all be kinds of retailers that:

- (a) sell food in the course or furtherance of carrying on their enterprise; or
- (b) make supplies that are GST-free under Subdivision 38-G of the Act (which relates to the non-commercial activities of charitable institutions, a trustee of a charitable fund or a gift-deductible fund) in the course or furtherance of carrying on their enterprise.

Several of the expressions used in section 123-5, including **retailer**, **net amount** and **food**, are defined in the Dictionary to the Act.

Under section 123-10 of the Act, a retailer may choose to apply a simplified GST accounting method that is available to the retailer. However, the retailer:

- (a) cannot revoke the choice within 12 months after the day on which the retailer made the choice; and
- (b) cannot make a further choice within 12 months after the day on which the retailer revoked a previous choice; and
- (c) cannot choose to apply a simplified GST accounting method in addition to another simplified GST accounting method that the retailer has already chosen.

The Commissioner has published a booklet called *Simplified GST Accounting Methods for Food Retailers (Second Edition)*. The booklet sets out three accounting methods:

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

A retailer of food may choose any of those methods as a simplified GST accounting method, to the extent explained in the booklet.

The Commissioner has also published fact sheets called *Taxfacts Simplified GST Accounting Methods*. These fact sheets are directed to specific kinds of retailers, and describe the business norms that those retailers are to use if they choose the business norms method. These fact sheets should be used with the booklet called *Simplified GST Accounting Methods for Food Retailers*.

The Commissioner's booklet and fact sheets are available from the Australian Taxation Office.

Part 2 Simplified GST accounting methods: general

Some terms in this determination are shown in *bold italics* when first used. They are explained in the Definitions section.

2.1 Eligibility

A food retailer is eligible to use a simplified GST accounting method if:

- it is registered for GST; and
- it is a *retailer that sells both taxable and GST-free food* at the same premises; and
- its *annual turnover is not more than the relevant threshold*; and
- it does not have *adequate point-of-sale equipment*.

2.2 Methods

- (1) In June 2001, the Commissioner published a booklet called *Simplified GST Accounting Methods for Food Retailers (Second Edition)*.
- (2) The simplified GST accounting methods that eligible retailers may choose are:
 - the business norms method; and
 - the stock purchases method; and
 - the snapshot method.

2.2.1 Business norms method

- (1) To estimate its *GST-free* sales and purchases, a food retailer may apply standard percentages (known as business norms) to its total sales and purchases of trading stock for every tax period.
- (2) There are nine business norms that are available for specific food retailers (detailed in Part 3).

Note: Information on the operation of this method is available in the booklet called *Simplified GST Accounting Methods for Food Retailers (Second Edition)* and in the documents called *Taxfacts Simplified GST Accounting Methods*.

2.2.2 Stock purchases method

- (1) The stock purchases method is only available to *resellers* and it is not available to *converters*.
- (2) A food retailer 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.

(a) Every tax period

A food retailer may calculate its GST-free stock purchases and work out its percentage of total stock purchases that are GST-free for every tax period. This percentage is applied to its total sales to estimate its GST-free sales.

(b) Two four-week sample periods

A food retailer may calculate its 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).

A food retailer may apply the GST-free percentage of stock purchases to both its total stock purchases and sales, to calculate its GST-free stock purchases and sales for the six months following the sample period.

If a food retailer starts a business during the financial year, then the first sample period must occur within the first two months of trading.

(c) 5% GST-free stock estimation basis

A food retailer 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.

To calculate GST-free purchases made during each tax period, a food retailer must record and add the total amount of its GST-free purchases. To calculate GST-free sales made during each tax period, it may apply its profit mark-ups to its GST-free purchases, to estimate its GST-free sales.

Note: Information on the operation of this method is available in the booklet called *Simplified GST Accounting Methods for Food Retailers (Second Edition)* and in the documents called *Taxfacts Simplified GST Accounting Methods*.

2.2.3 Snapshot method

- (1) A food retailer may calculate its GST-free stock purchases as a percentage of total stock purchases and its GST-free sales as a percentage of total stock sales.
- (2) A food retailer 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.

(a) Two sample periods

A food retailer may calculate its percentage of total purchases that are GST-free (that is, its 'purchases GST-free percentage') for two four-week periods during the financial year. It may calculate the percentage of its total sales that are GST-free (that is, its '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).

A food retailer may apply the purchases GST-free percentage to total stock purchases, to calculate its GST-free stock purchases for the six months following the sample period. It may apply the sales GST-free percentage to its total stock sales, to calculate its GST-free stock sales for the six months following the sample period.

If a food retailer starts a business during the financial year, then the first sample period must occur within the first two months of trading.

(b) Every tax period

A food retailer may calculate its 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).

A food retailer may apply the sales GST-free percentage to its total stock sales to calculate its GST-free stock sales for the six months following the sample period. If a food retailer starts a business during the financial year, then the first sample period must occur within the first two months of trading.

A food retailer may calculate its actual GST-free purchases every tax period from its records.

(c) 5% GST-free stock estimation basis

A food retailer may use a 5% GST-free stock estimation basis if its GST-free sales does not exceed 5% of total stock sales.

A food retailer may record and add its 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 it resells GST-free, and apply its mark-ups to work out its GST-free sales. To work out its GST-free purchases it may either do a snapshot of its purchases or work out its actual GST-free purchases.

Note: Information on the operation of this method is available in the booklet called *Simplified GST Accounting Methods for Food Retailers (Second Edition)* and in the documents called *Taxfacts Simplified GST Accounting Methods*.

2.3 Choosing or revoking a simplified GST accounting method

If a food retailer elects to use a simplified GST accounting method (or to revoke their choice) it must notify the Commissioner in the approved form.

Note: (1) Information on the election to use a simplified GST accounting method and the notice to revoke an election to use a simplified GST accounting method is available in the booklet called *Simplified GST Accounting Methods for Food Retailers (Second Edition)*.

(2) The approved forms for the election to use a simplified GST accounting method and the notice to revoke an election to use a simplified GST accounting method are available in the booklet called *Simplified GST Accounting Methods for Food Retailers (Second Edition)*.

3.4 Fresh fish retailers

- (1) In June 2001, the Commissioner published a document called *Taxfacts Simplified GST Accounting Methods Business Norms Percentages No. 4 Fresh Fish Retailers that mainly retail fresh fish with some sales of cooked fish.*
- (2) For subsection 123-5 (1) of the GST Act, the information set out in the document is part of the business norms method that may be used by an eligible retailer.

Note: The document does not apply to all fresh fish retailers. It is important to read the document to determine whether it applies to a particular retailer.

3.5 Rural convenience stores

- (1) In June 2001, the Commissioner published a document called *Taxfacts Simplified GST Accounting Methods Business Norms Percentages No. 5 Rural Convenience Stores that may include sales of fuel or Australia Post agency business*
- (2) For subsection 123-5 (1) of the GST Act, the information set out in the document is part of the business norms method that may be used by an eligible retailer.

Note: The document does not apply to all rural convenience stores. It is important to read the document to determine whether it applies to a particular retailer.

3.6 Pharmacies

- (1) In June 2001, the Commissioner published a document called *Taxfacts Simplified GST Accounting Methods Business Norms Percentages No. 6 Pharmacies with both taxable and GST-free food sales.*
- (2) For subsection 123-5 (1) of the GST Act, the information set out in the document is part of the business norms method that may be used by an eligible retailer of a kind to which the document applies.

Note: The document does not apply to all pharmacies. It is important to read the document to determine whether it applies to a particular retailer.

3.7 Cake shops

- (1) In June 2001, the Commissioner published a document called *Taxfacts Simplified GST Accounting Methods Business Norms Percentages No. 7 Cake Shops.*
- (2) For subsection 123-5 (1) of the GST Act, the information set out in the document is part of the business norms method that may be used by an eligible retailer.

Note: The document does not apply to all cake shops. It is important to read the document to determine whether it applies to a particular retailer.

3.8 Healthfood shops

- (1) In June 2001, the Commissioner published a document called *Taxfacts Simplified GST Accounting Methods Business Norms Percentages No. 8 Healthfood Shops that don't convert GST-free food into taxable food..*
- (2) For subsection 123-5 (1) of the GST Act, the information set out in the document is part of the business norms method that may be used by an eligible retailer.

Note: The document does not apply to all healthfood shops. It is important to read the document to determine whether it applies to a particular retailer.

3.9 Continental Delicatessens

- (1) In June 2001, the Commissioner published a document called *Taxfacts Simplified GST Accounting Methods Business Norms Percentages No. 9 Continental Delicatessens that don't sell hot foods or prepared meals.*
- (2) For subsection 123-5 (1) of the GST Act, the information set out in the document is part of the business norms method that may be used by an eligible retailer.

Note: The document does not apply to all continental delicatessens. It is important to read the document to determine whether it applies to a particular retailer.