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# Simplified GST Accounting Methods Legislative Instrument (No. 1) 2007

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## Explanatory Statement

### General Outline of Instrument

1. This determination is made under subsection 123-5(1) of the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act).
2. This determination replaces the *A New Tax System (Goods and Services Tax) (Simplified GST Accounting Methods) Determination 2001* (the previous instrument).
3. This determination is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

### Date of effect

4. The instrument commences on 1 October 2007 and will not apply retrospectively.

### What this instrument is about

5. As a result of an announcement in the May 2006 Federal Budget, the \$1 million eligibility threshold for the 'business norms' (simplified GST accounting) method is aligned with the \$2 million threshold for the other small business concessions.
6. The previous instrument is deregistered and replaced with this instrument to reflect this announcement.

### What is the effect of this instrument

7. The effect of this instrument is that it will apply on and after 1 October 2007 in the same way as the previous instrument had applied prior to 1 October 2007, but will do so using a common \$2 million threshold.

### Background

8. To enable certain food retailers a simplified way of working out their components of GST-free sales and GST-free purchases, the Commissioner made a determination under subsection 123-5(1) of the GST Act (the previous instrument). In that instrument the Commissioner specified:
  - the types of food retailers eligible to use simplified GST accounting methods and the eligibility requirements; and
  - the details of three simplified methods (the business norms method, the stock purchases method and the snapshot method).
9. One of the eligibility requirements was that food retailers must have had annual turnovers that did not exceed the thresholds specified for the methods. The threshold for the stock purchases and snapshot methods was specified as \$2 million (which aligns with the current \$2 million threshold for other small business

concessions). To be eligible for the business norms method prior to 1 October 2007, the previous instrument specified the relevant threshold as \$1 million.

10. As a result of the 2005-06 Federal Budget announcement, the \$1 million threshold for the business norms method is aligned with the \$2 million threshold for the other methods and the small business concessions. To effect this change in the eligibility threshold for the business norms method, the previous instrument has been revoked and replaced with this instrument, with effect from 1 October 2007.
11. In Part 3 of the previous instrument, some Tax Office publications (called Fact Sheets) were stated as forming part of the business norms method. These Fact Sheets contained further eligibility criteria for, and some modifications to the business norms method. They also contained business norm percentages for specified types of food retailers. As part of the process to update the change in the business norm threshold, the eligibility criteria, modifications and business norm percentages for using the business norms method contained in the Fact Sheets are now incorporated directly into this instrument.
12. For determining whether or not you exceed the \$2 million threshold, the term 'SAM turnover' is now used in place of 'annual turnover'. However, SAM turnover has the same meaning as the term 'annual turnover' had in the Tax Office publication *Simplified GST Accounting Methods for Food Retailers* (NAT 3185) prior to 1 October 2007.

Note: the meaning of 'SAM turnover' is different to the meaning of the term 'annual turnover' inserted into the *Income Tax Assessment Act 1997* (ITAA 1997) by the *Tax Laws Amendment (Small Business) Act 2007* (see section 328-120 of the ITAA 1997).

## Consultation

13. Section 18 of the *Legislative Instruments Act 2003* specifically provides for circumstances where consultation may not be necessary or appropriate. One of those circumstances is where the instrument is considered minor or machinery in nature, and does not substantially change the law.
14. Because the only substantive change from the previous instrument (and its incorporated Fact Sheets) is the change in the eligibility threshold for the business norms method from \$1 million to \$2 million, the changes in this instrument are considered to be minor and machinery in nature.
15. Extensive consultation was carried out with external stakeholders during the development of the previous instrument (and its incorporated Fact Sheets).
16. Therefore, no further consultation has been undertaken in the development of this instrument.

Shane Reardon

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**Deputy Commissioner of Taxation**

Date: 14 August 2007

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*Legislative references:*

A New Tax System (Goods and Services Tax) Act 1999

Legislative Instruments Act 2003

Income Tax Assessment Act 1997

*Other references:*

Simplified GST accounting methods (NAT3185)