Australian Government
Australian Taxation Office

Australian Taxation Office Legislative Instrument
Instrument ID: 2015/ITX/0028

Goods and Services Tax: Simplified GST Accounting Methods Determination (No. 28) 2015

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.*
2. This determination replaces the *A New Tax System (Goods and Services Tax) Simplified Accounting Method Determination (No. 1) 2004* (the previous instrument).
3. The determination is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

Date of effect

4. The instrument commences on the day after registration.
5. The instrument does not apply retrospectively.

What is this instrument about:

6. Division 123 of the GST Act allows the Commissioner to determine a Simplified Accounting Method (SAM) for particular retailers and small enterprise entities. This determination sets out a SAM for eligible government entities.
7. The SAM contained in the determination will facilitate the quick and simple calculation by eligible government entities of their net amounts by using either a simplified accounting ***method A*** or ***method B***, that is:
   a) the GST payable by the government entity on the taxable supplies made through each sub-entity to which its choice applies must be estimated using ***method A***; or
   b) the GST payable by the government entity on the taxable supplies made through each sub-entity to which its choice applies, and the government entity's entitlement to input tax credits on creditable acquisitions made through each of those sub-entities, must be estimated using ***method B***.
8. The two methods are described below:

   method A is:

   1) Record the total stock purchases for the sub-entity.
   2) Record the total creditable stock purchases for the sub-entity.
   3) Divide the total creditable stock purchases (2) by the total stock purchases (1) to calculate the percentage of creditable purchases.

4) Apply this percentage to the total sales made by the sub entity and then multiply by 1/11th to estimate the GST payable on those sales for the tax period.

method B is:

1) Record the total stock purchases for the sub-entity for a four-week sample period.
2) Record the total creditable stock purchases for the sub-entity for the four-week sample period.
3) Divide the total creditable stock purchases (2) by the total stock purchases (1) to calculate the percentage of creditable purchases.
4) Apply this percentage to the total stock purchases by the sub entity to estimate the creditable purchases for each of the tax periods covered by the four week sample period and then multiply by 1/11th to estimate the input tax credit entitlement on those purchases for each of those tax periods.
5) Apply the same percentage to the total sales by the sub entity for each of those tax periods and then multiply by 1/11th to estimate the GST payable on those sales for each of those respective tax periods.

What is the effect of this instrument?

9. This instrument will allow eligible government entities to adopt a SAM that will reduce their costs to comply with the GST legislation

10. Compliance cost impact: minor- there will be no or minimal impacts for both implementation and ongoing compliance costs. The legislative instrument is minor or machinery in nature.

Background:

11. This instrument replaces *A New Tax System (Goods and Services Tax) Simplified Accounting Method Determination (No. 1) 2004.* The replaced instrument is repealed on the commencement of this determination.

Consultation:

12. 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.

13. Because there is no substantive change from the previous instrument therefore the instrument is considered minor or machinery in nature.

14. As such, no further consultation has been undertaken in the development of this instrument.

James O'Halloran
Deputy Commissioner of Taxation
15 September 2015

Statement of Compatibility with Human Rights

This statement is prepared in accordance with *Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011.*

Goods and Services Tax: Classes of Recipient Created Tax Invoice Determination (No. 28) 2015

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

This Legislative Instrument provides that government entity may choose to use the simplified accounting method specified in clause 6 of the legislative instrument to calculate its net amount, in so far as the net amount relates to supplies and acquisitions made through a ***sub-entity*** of the government entity and satisfies all the requirements in the legislative instrument.

Human rights implications

This instrument does not engage any of the applicable rights or freedoms. It allows eligible government entities to adopt a simplified accounting method that will reduce their costs of complying with the GST legislation.

Conclusion

This instrument is compatible with human rights as it does not raise any human rights issues.