Australian Government
Australian Taxation Office

Legislative Instrument

Goods and Services Tax: Simplified Accounting Method Determination (No.38) 2016 for Restaurants, Cafes and Caterers – purchases snapshot method

I, Deborah Jenkins, Acting Deputy Commissioner of Taxation, make this determination under subsection 123-5(1) of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act).

Deborah Jenkins
Acting Deputy Commissioner of Taxation
Dated: 13/09/2016

Name of determination

1. This determination is the *Goods and Services Tax: Simplified Accounting Method Determination (No. 38) 2016* for Restaurants, Cafes and Caterers – purchases snapshot method.

Commencement

2. This determination commences the day after registration.

Repeal of previous determination

3. *A New Tax System (Goods and Services Tax) Act 1999 Simplified Accounting Method Determination (No. 1) 2006* (the previous determination) - F200L02632, registered on 9 August 2006, is repealed on commencement of this determination.

Determination (Which entities are covered by this determination?)

4. An entity may choose to use the simplified accounting method (SAM) in Clause 5 to work out its input tax credits for acquisitions of trading stock for a tax period if:
   (a) it is registered for GST throughout the tax period; and
   (b) during the tax period, it operated a restaurant, café or catering business; and
   (c) its GST turnover does not exceed the small enterprise turnover threshold.

   Note: This method can be used irrespective of whether the entity has adequate or inadequate point-of-sale equipment.

Method

5. The steps for this SAM are as follows:

(1) Choose a sample period

(a) For each financial year, select a continuous four-week sample period during 1 June to 31 July, and select another continuous four-week sample period during 1 December to 31 January. For each sample period, record the amounts and the GST status of the entity's trading stock purchases.

Note: Two new calculations of the GST-free percentage must be done (about every six months) to calculate the amount of GST-free trading stock for the tax period(s) in each financial year.

(b) For an existing business that starts to use this SAM where the start date is not from 1 June to 31 July or from 1 December to 31 January, the first sample period can be either:

(i) a continuous four-week period in the tax period in which the entity starts to use the SAM, or

(ii) a continuous four-week period during either 1 June to 31 July or 1 December to 31 January, whichever has just elapsed.

(c) If the entity starts its business part way through the financial year, the first sample period must be in the first two months of trading.

Note: "first two months of trading" means the first two months where the entity started selling food to its customers.

(2) Work out the amount of trading stock purchased during each sample period

Calculate the amount of trading stock that the entity purchased during each sample period in 5(1) using one of the following methods:

(a) If the entity accounts on a cash basis, the amount is the total consideration the entity provides during the sample period for trading stock purchases.

(b) If the entity does not account on a cash basis, the amount is the total price of trading stock for which the earlier of the following occurs during the sample period:

- the entity provides any of the consideration; or
- an invoice was issued for the acquisition.

(3) Work out the percentage of GST-free trading stock purchases for the sample period

(a) From the amount of trading stock calculated at 5(2), determine the amount which relates to GST-free acquisitions.

(b) Divide the total amount of GST-free acquisitions from 5(3)(a) by the total trading stock acquisitions from 5(2) and express the result as a percentage. This is the percentage of the entity's GST-free trading stock that it purchased for the sample period.

(4) Work out the input tax credits the entity can claim for each tax period using the GST-free trading stock purchases percentage

(a) Calculate the amount of trading stock that the entity purchased during a tax period by using one of the following methods:

(i) If the entity accounts on a cash basis, the amount is the total consideration the entity provides during the tax period for trading stock purchases.

(ii) If the entity does not account on a cash basis, the amount is the total price of any trading stock for which the earlier of the following occurs during the tax period:

- the entity provides any of the consideration; or
- an invoice was issued for the acquisition.

(b) The amount of GST-free trading stock for each tax period is calculated as follows:

(i) GST-free trading stock purchases for tax periods in July to December are calculated by multiplying the percentage of GST-free trading stock from the sample period during 1 June to 31 July (of the same calendar year) worked out in 5(3)(b) with the amount of trading stock the entity purchased in each tax period worked out in 5(4)(a);

(ii) GST-free trading stock purchases for tax periods in January to June is calculated by multiplying the percentage of GST-free trading stock from the sample period during 1 December to 31 January (of the same financial year) worked out in 5(3)(b) with the amount of trading stock the entity purchased in each tax period worked out in 5(4)(a);

(iii) If the entity's tax period is a financial year then add the amounts of GST-free trading stock from:

(1) July to December, calculated by multiplying the percentage of GST-free trading stock from the sample period 1 June to 31 July (of the same calendar year) worked out in 5(3)(b) to with the amount of trading stock the entity purchases from July to December worked out in 5(4)(a); and

(2) January to June, calculated by multiplying the percentage of GST-free trading stock from the sample period 1 December to 31 January (of the same financial year) worked out in 5(3)(b) with the amount of trading stock the entity purchases from January to June worked out in 5(4)(a).

(c) For each tax period, subtract the amount worked out at 5(4)(b) from the amount worked out at 5(4)(a).

(d) Multiply the amount worked out at 5(4)(c) by 1/11th. This is the entity's input tax credit entitlement for the trading stock acquisitions for the tax period. The entity's net amount for the tax period is otherwise worked out in accordance with Division 17 of the GST Act.

6. If:

- a creditable acquisition has been included in paragraph 5(4)(a) for a tax period; and

- the entity's GST return for a subsequent tax period (where you are not using the method specified in this determination) includes an input tax credit for an acquisition covered by paragraph 5(4)(a) for an earlier tax period;

then the entity's net amount for that earlier tax period is increased by the amount of that credit.

7. The entity does not need to hold a tax invoice for an acquisition for it to be included in the calculation of its input tax credit entitlement for trading stock purchases for a tax period whilst using the method specified in this determination.

Definitions

8. Expressions used in this determination have the same meaning as in the GST Act.