



Explanatory Statement

Goods and Services Tax: Simplified Accounting Methods Determination 2017 for Retailers who sell Food – Business Norms, Stock Purchases and Snapshot Methods

General outline of determination

1. The determination is made under subsection 123-5(1) of the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act).
2. Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any determination of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such determination.
3. The determination provides eligible retailers with the choice to use a simplified accounting method (SAM) to help work out their net amount by estimating the proportion of their sales and purchases of trading stock that are GST-free.
4. The determination is a legislative instrument for the purposes of the *Legislation Act 2003*.

Date of effect

5. The determination commences on the day after registration.

What is the determination about?

6. Division 123 of the GST Act allows the Commissioner to create SAMs that some retailers and small enterprise entities can choose to apply with a view to reducing their costs of complying with the requirements of GST.
7. Retailers that sell food that is subject to GST and food that is GST-free may find it time consuming and costly to identify GST-free sales of trading stock (referred to as **GST-free trading sales** in the determination) and GST-free purchases of trading stock (referred to as **GST-free trading acquisitions** in the determination) without adequate point-of-sale equipment¹. The Commissioner has made the determination to create three SAMs to assist eligible retailers to estimate their GST-free trading sales and/or GST-free trading acquisitions. They are:
 - (a) the business norms method;
 - (b) the stock purchases methods; and
 - (c) the snapshot methods.

¹ This term is defined in section 8 of the determination.

8. The business norms method allows eligible retailers of food to estimate the proportion of their sales and purchases that are GST-free for a tax period by applying business norms percentages to their total trading sales and trading stock acquisitions.
9. The stock purchases methods allow eligible food retailers that are resellers to estimate their GST-free trading sales and, in some case, GST-free trading acquisitions by using information relating to their GST-free trading acquisitions under one of these three methods:
 - (a) “every tax period” method;
 - (b) “two sample periods” method; and
 - (c) “5% GST-free stock estimation basis” method.
10. The snapshot methods are similar to the stock purchases methods but it applies to both resellers and converters. It allow eligible food retailers to estimate their GST-free trading sales and GST-free trading acquisitions by using one of these three methods:
 - (a) “two sample periods” method;
 - (b) “every tax period” method; and
 - (c) “5% GST-free stock estimation basis” method.
11. Retailers are only eligible to choose a SAM under the determination if they:
 - (a) sell food that is subject to GST and food that is GST-free from the same premises;
 - (b) have a SAM turnover² that is \$2 million or less;
 - (c) do not have adequate point-of-sale equipment; and
 - (d) satisfy the requirements for that particular SAM.

Background

12. The determination replaces *Simplified GST Accounting Methods Legislative Instrument (No. 1) 2007 F2007L02577* (the previous determination). The previous determination is repealed on commencement of the determination.
13. The determination is substantially the same as the previous determination. It corrects some minor errors and clarifies a number of matters. If you were eligible to use a particular SAM specified in the previous determination, you will continue to be eligible to use that SAM under the determination.

What is the effect of this determination

14. Eligible retailers that choose to use a particular SAM set out in the determination do not have to work out the actual GST-free trading sales and/or GST-free trading acquisitions that they make. They can estimate their GST-free trading sales and GST-free trading acquisitions for each tax period by using one of the SAMs.
15. Compliance Cost Impact: Minor – There will be no or minimal impacts for both implementation and ongoing compliance costs. The determination simply continues the policy in the previous determination.

² This term is defined in section 8 of the determination.

Consultation:

16. Subsection 17(1) of the *Legislation Act 2003* requires, before the making of a determination, that the Commissioner is satisfied that appropriate and reasonably practicable consultation has been undertaken.
17. Broad consultation was undertaken. Drafts of the determination and explanatory statement were published on the ATO Legal database at ato.gov.au seeking feedback and comments for a period of two weeks. Tax professionals, tax associations and legal publishers regularly review the Legal database. Additionally, consultation on the drafts of the determination and explanatory statement was also announced on 'What we are consulting about' at ato.gov.au. No comments were received by the due date.
18. Targeted consultation was also undertaken with key stakeholders including the Pharmacy Guild of Australia, Pharmaceutical Society of Australia, the Department of Health, National Retail Association of Australia and Australian Retailers Association. Feedback received assisted with the update of the determination.

Legislative references:

A New Tax System (Goods and Services Tax) Act 1999
Acts Interpretation Act 1901
Legislation Act 2003
Human Rights (Parliamentary Scrutiny) Act 2011
National Health Act 1953

Statement of Compatibility with Human Rights

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

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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 eligible food retailers with a choice of using a simplified accounting method to help them to work out their net amount. It does so by allowing them to estimate their GST-free trading sales and GST-free trading stock acquisitions for a tax period.

Human rights implications

This Legislative Instrument does not engage any of the applicable rights or freedoms as it is considered to be minor or machinery in nature and does not substantially change the law.

Conclusion

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