



Legislative Instrument

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

I, Jeremy Geale, 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).

Jeremy Geale

Deputy Commissioner of Taxation

Dated: 12 September 2017

1. Name of determination

This determination is the *Goods and Services Tax: Simplified Accounting Methods Determination 2017 for Retailers who sell Food – Business Norms, Stock Purchases and Snapshot Methods*.

2. Commencement

This determination commences on the day after registration on the Federal Register of Legislation.

3. Repeal of previous determination

- (1) This determination repeals and replaces *Simplified GST Accounting Methods Legislative Instrument (No. 1) 2007 - F2007L02577*, registered on 14 August 2007.
- (2) This determination is substantially the same as the previous determination that it replaces. If you were eligible to use a particular simplified accounting method (SAM) specified in the previous determination, you will continue to be eligible to use that SAM under this determination.

4. Determination (Who is covered by this determination)

- (1) You may use a SAM specified in this determination if you:
 - (a) are a retailer that sells food that is subject to GST and food that is GST-free from the same premises; and
 - (b) have a **SAM turnover** that is \$2 million or less; and

(c) do not have **adequate point-of-sale equipment**; and

(d) satisfy the requirements for that particular SAM.

Note:

1. Terms defined in section 8 of this determination are shown in bold italics when used.

5. Method 1: Business norms method

(1) Under the business norms method, if you are a retailer specified in the following table, work out for each tax period:

- (a) your **GST-free trading sales** by multiplying your business norms percentage for **GST-free trading sales** specified in the table by the total **trading sales** that you make for a tax period; and
- (b) your **GST-free trading acquisitions** by multiplying your business norms percentage for **GST-free trading acquisitions** specified in the table by the total **trading stock acquisitions** that you make for a tax period.

Retailer	Business norms for GST-free trading sales	Business norms percentages for GST-free trading acquisitions
Cake shop	2%	95%
Continental delicatessen	85%	90%
Convenience store (that is a converter)	22.5%	30%
Convenience store (that is a reseller)	30%	30%
Fresh fish shop	35%	98%
Health food shop	35%	35%
Hot bread shop	50%	75%

(2) Under the business norms method, if you are a retailer that is a **rural convenience store**:

- (a) work out your **GST-free trading sales** for each tax period as follows:
 - (i) deduct any **trading sales** for fuel or your Australia Post agency business for a tax period from your total **trading sales** for that tax period; and
 - (ii) multiply the result from subparagraph (i) by the following relevant business norms percentages, depending on whether you are a **converter** or a **reseller**:
 - A. if you are **converter** - 22.5%; or
 - B. if you are a **reseller** - 30%; and
- (b) work out your **GST-free trading acquisitions** for each tax period as follows:
 - (i) deduct any **trading stock acquisitions** for fuel or your Australia Post agency business for a tax period from your total **trading stock acquisitions** for that tax period; and
 - (ii) multiply the result from subparagraph (i) by the following relevant business norms percentages, depending on whether you are a **converter** or a **reseller**.

- A. if you are **converter** – 30%; or
- B. if you are a **reseller** – 30%.

(3) Under the business norms method, if you are a retailer that is a **pharmacy**:

- (a) work out your **GST-free trading sales** for each tax period as follows:
 - (i) identify the component of **PBS prescription** sales from your total **trading sales** for the tax period (PBS prescription trading sales); and
 - (ii) identify the components of **non PBS prescription** sales and over-the-counter sales from your total **trading sales** for the tax period; and
 - (iii) multiply each component identified in subparagraph (ii) by the following relevant business norms percentages respectively:

- A. non PBS prescription sales - 98%; and
- B. over-the-counter sales - 47.5%; and

(iv) to work out your total **GST-free trading sales** - add together:

- A. PBS prescription trading sales from subparagraph (i), and
- B. the results from subparagraph (iii).

- (b) work out your **GST-free trading acquisitions** for each tax period as follows:
 - (i) multiply your total **trading stock acquisitions** for a tax period by the following relevant business norm percentages respectively:

- A. **non PBS prescription** - 0%; and
- B. over-the-counter sales- 2%.

6. Method 2: Stock purchases methods

- (1) You can use the stock purchases methods if you are a **reseller**. You cannot use the stock purchases methods if you are a **converter**.
- (2) Under the stock purchases methods, you choose one of the following methods to help work out your net amount for a tax period:
 - (a) the “every tax period” method;
 - (b) the “two sample periods” method; or
 - (c) if eligible, the “5% GST-free stock estimation basis”.

Every tax period

(3) Under the “every tax period” method,

- (a) work out your actual **GST-free trading acquisitions** for each tax period; and
- (b) work out your **GST-free trading sales** for each tax period as follows:

$$\frac{\text{GST-free trading acquisitions for a tax period}}{\text{total trading stock acquisitions for a tax period}} \times \text{total trading sales.}$$

Two sample periods

(4) Under the “two sample periods” method,

- (a) work out your **GST-free trading sales** and **GST-free trading acquisitions** for a tax period in the following way:

Method Statement:

Step 1. Work out the percentages of your **GST-free trading acquisitions** for two sample periods that will apply to a financial year.

The sample periods should be a continuous four-week period taken from each of the following periods:

- (a) 1 June to 31 July; and
(b) 1 December to 31 January.

The sample period taken from 1 June to 31 July will apply to tax periods that occur in the period 1 July to 31 December.

The sample period taken from 1 December to 31 January will apply to tax periods that occur in the period 1 January to 30 June.

However, if you start your business during the financial year, substitute the first sample period with a continuous four-week period taken from your first two months of trading. It will apply to all the tax periods that the substituted sample period would have applied to.

This is your sample period percentages.

Step 2. Work out your **GST-free trading sales** by multiplying the applicable sample period percentage for a tax period by your **total trading sales** for that tax period.

Step 3. Work out your **GST-free trading acquisitions** by multiplying the applicable sample period percentage for a tax period by your total **trading stock acquisitions** for that tax period.

5% GST-free stock estimation basis

- (5) You can use the “5% GST-free stock estimation basis” if it is reasonable to conclude that the projected percentage of **GST-free trading acquisitions** that you will resell GST-free is not more than 5% of your total **trading stock acquisitions**.
- (6) Under the “5% GST-free stock estimation basis”,
- (a) work out your actual **GST-free trading acquisitions** for each tax period; and
- (b) work out your **GST-free trading sales** for a tax period as follows:
- (i) for each product line that you resell GST-free, determine the **GST-free trading acquisitions** you made for that product line for a tax period;
 - (ii) apply your mark-ups for each product line by the amounts worked out in (i) for that product line; and
 - (iii) add up the amounts worked out in (ii) for each product line to work out your total **GST-free trading sales** for each tax period.

7. Method 3: Snapshot methods

- (1) You can use the snapshot methods if you are **reseller** or **converter**.

- (2) Under the snapshot methods, you choose one of the following methods to help work out your net amount for a tax period:
- (a) “two sample periods” method;
 - (b) “every tax period” method; or
 - (c) if eligible, “5% GST-free stock estimation basis” method.

Two sample periods

(3) Under the “two sample periods” method:

- (a) work out your **GST-free trading acquisitions** for a tax period in the same way they are worked out under the stock purchases methods- “two sample periods” in subsection 6(4) of this determination; and
- (b) work out your **GST-free trading sales** for a tax period in the following way:

Method Statement:

Step 1. Work out the percentages of your **GST-free trading sales** for two sample periods that will apply to a financial year.

The sample periods should be a continuous two-week period taken from each of the following periods:

- (a) 1 June to 31 July; and
- (b) 1 December to 31 January.

The sample period taken from 1 June to 31 July will apply to tax periods that occur in the period 1 July to 31 December.

The sample period taken from 1 December to 31 January will apply to tax periods that occur in the period 1 January to 30 June.

However, if you start your business during the financial year, substitute the first sample period with a continuous two-week period taken from your first two months of trading. It will apply to all the tax periods that the substituted sample period would have applied to.

This is your sample period percentages.

Step 2. Work out your **GST-free trading sales** by multiplying the applicable sample period percentage for a tax period by your total **trading sales** for that tax period.

Every tax period

(4) Under the “every tax period” method,

- (a) work out your **GST-free trading acquisitions** for each tax period; and
- (b) work out your **GST-free trading sales** for a tax period in the same way as they are worked out under the snapshot methods- “two sample periods” in paragraph 7(3)(b) of this determination.

5% GST-free stock estimation basis

- (5) You can use the “5% GST-free stock estimation basis” if it is reasonable to conclude that the projected percentage of your **GST-free trading sales** does not exceed 5% of your total **trading sales**.

- (6) You can choose to work out your **GST-free trading acquisitions** for each tax period by:
- (a) working out your actual **GST-free trading acquisitions** for a tax period; or
 - (b) working out your **GST-free trading acquisitions** for a tax period in the same way they are worked out under the stock purchases method- “two sample periods” in subsection 6(4) of this determination.
- (7) You work out your **GST-free trading sales** for a tax period in the same way they are worked out under the stock purchases methods- “5% GST-free stock estimation basis” as set out in paragraph 6(6)(b) of this determination.

8. Definitions

The following expressions are defined for the purpose of this determination:

Adequate point-of-sale equipment means point-of-sale equipment that can:

- (a) identify and record a sale as being GST-free or subject to GST; and
- (b) identify and record the total amount of GST-free sales and the total amount of sales for a specified period.

Adequate point-of-sale equipment includes:

- (a) electronic scanning systems
- (b) touch screen registers, and
- (c) product-specific cash registers.

Cake shop means a retailer who mainly sells cakes, pastries or similar products as opposed to bakeries or breads shops that mainly sell bread or similar bread products. The retailer must not operate as a café.

Continental delicatessen means a retailer that mainly sells processed meats, smallgoods, salamis, cheeses and similar items. However, it does not include a retailer that:

- (a) mainly sells grocery items, even if the retailer is called a deli, delicatessen or continental delicatessen; and
- (b) makes any café or restaurant sales.

Convenience store means a retailer that sells a mixture of goods including bread, milk, dairy products, cigarettes, confectionery, grocery lines and takeaway food (for example, freshly prepared sandwiches). It does not include a retailer that sells fuel or alcoholic beverages.

However, a retailer is not a **convenience store** if it mainly sells takeaway or dine-in food (for example, a fish and chip shop).

Converter means a retailer that makes **GST-free trading acquisitions** and converts those goods into taxable supplies. For example, it includes a retailer that buys bread and sandwich ingredients and converts them into sandwiches.

Fresh fish shop means a retailer that mainly sells fresh fish and other seafood, with some sales of cooked fish and chips. It does not include a retailer that mainly sells cooked fish and chips with only a small amount of fresh seafood sales.

GST-free trading sales means **trading sales** that you make that are GST-free under Division 38 of the GST Act.

GST-free trading acquisitions means **trading stock acquisitions** that you make that are GST-free under Division 38 of the GST Act.

Hot bread shop means a retailer that mainly sells bread as opposed to cakes.

Health food shop means a retailer that mainly sells food, food supplements, vitamins and other health food products. The retailer must not be a converter.

Non PBS prescription means a prescription of a drug or medicinal preparation that is not a pharmaceutical benefit within the meaning of Part VII of the *National Health Act 1953*.

PBS prescription means a prescription of a drug or medicinal preparation that is a pharmaceutical benefit within the meaning of Part VII of the *National Health Act 1953*.

Pharmacy means a retailer that

- (a) has **PBS prescription** sales; and
- (b) has **non PBS prescription** sales and over-the-counter sales, including food sales; and
- (c) does not have **adequate point-of-sale equipment** to identify and record the sales that are subject to GST and are GST-free, even when the prescription dispensary system (in conjunction with the shop front point-of-sale equipment) can identify and record the **PBS prescription** sales and **non PBS prescription** sales.

Reseller means a retailer that makes **GST-free trading acquisitions** and resells it in an unchanged form, for example, bread and sandwich ingredients. It does not include a retailer that converts the stock into taxable supplies (for example, a retailer that converts bread and sandwich ingredients into sandwiches).

Rural convenience store means a **convenience store** that sells fuel but does not

- (a) sell alcoholic beverages; and
- (b) have **adequate point-of-sale equipment**, even if the retailer has **adequate point-of-sale equipment** to identify and record **trading sales** for fuel and the retailer's Australia Post agency business.

SAM turnover means either:

- (a) the total GST-exclusive amount of the retailer's **trading sales** for the last financial year; or
- (b) the projected GST-exclusive amount of the retailer's **trading sales** for the current financial year.
- (c) However:
 - (i) if a retailer starts running its business part way through a financial year, then the retailer must make an estimate of its **trading sales** for a 12 month period commencing from when it started to run the business;
 - (ii) for the business norms method, if the retailer is a **pharmacy** – the **SAM turnover** does not include **PBS prescription sales**; or
 - (iii) for the business norms method, if the retailer is a **rural convenience store**, the **SAM turnover** does not include **trading sales** from:

- A. fuel; and
- B. operating an Australia Post agency.

Trading sales means sales of trading stock and any other trading income, but excludes sales of capital assets and other sales made solely in ceasing or scaling down the business.

Trading stock acquisitions means acquisitions of trading stock.

Other expressions in this determination have the same meaning as in the GST Act.