



Goods and Services Tax: Simplified GST Accounting Methods Determination (No. 29) 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* (the GST Act).
2. This determination replaces the *A New Tax System (Goods and Services Tax) Simplified Accounting Method Determination (No. 1) 2005* (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 groups of retailers and small enterprise entities. This determination sets out a new SAM for eligible supermarkets or convenience stores.
7. The SAM contained in the determination will facilitate the quick and simple calculation by eligible food retailers of the input tax credits they are entitled to claim in respect of their acquisitions of trading stock in a particular tax period. Presently, the eligible food retailers need to individually dissect and record the GST contained in every tax invoice. The SAM will allow the input tax credits to be calculated by subtracting the estimated GST-free acquisitions from total acquisitions and multiplying it by $1/11^{\text{th}}$. GST-free acquisitions will be estimated by using the percentage that represents the GST-free portion of sales and multiplying it by total acquisitions (trading stock only) for each Business Activity Statement (BAS) period.
8. The determination can be used only by eligible food retailers (supermarkets or convenience stores excluding petrol stations) that satisfy the following conditions:-
 - Registered for GST purposes.
 - Sell a range of GST-free and taxable goods that are commonly sold at supermarkets or convenience stores.

- Undertake little or no conversion of food (conversion of food represents less than 5% of total annual sales).
 - Annual turnover is \$2 million (excluding GST) or less.
 - Adequate point-of-sale (POS) equipment is used.
9. This determination cannot be used by a food retailer to calculate the input tax credits for acquisitions that are not acquisitions of trading stock. Further, eligible food retailers must exclude alcoholic beverages and other goods that are uncommon or in substantially greater quantity or variety than those generally sold at supermarkets or convenience stores.
 10. If an eligible retailer wishes to use the SAM set out in this determination, the eligible retailer must complete an 'Election To Use A Simplified GST Accounting Method' (NAT4370) and forward this notification to the Commissioner. The SAM must then be used for 12 months or more. To revoke such an election, a 'Notice To Revoke An Election To Use A Simplified GST Accounting Method' (NAT4371) must be completed and forwarded to the Commissioner.
 11. Appropriate records must be kept to explain the calculations used to reach the final figure under this determination. Further, all records must continue to comply with the general record keeping requirements.
 12. It is not a requirement that tax invoices be held (section 29-10 of the GST Act) for acquisitions whilst using the SAM covered by this determination. However, if an acquisition was included in a tax period whilst this determination was in effect, then an input tax credit cannot be claimed for the same acquisition in a later tax period after which a notice to revoke an election had taken effect. If any such credit is claimed in later tax period, a corresponding increasing adjustment must be made to the BAS in the previous relevant tax period. This rule is to prevent an entity from effectively claiming two input tax credits for the same acquisition.

What is the effect of this instrument?

13. This determination is in addition to an existing determination and is designed to provide a quick and easy method for eligible food retailers to estimate their entitlement to input tax credits.
14. This determination will allow eligible food retailers who are not eligible to choose to use the existing determination an opportunity to choose and adopt a SAM that will reduce their costs to comply with the GST legislation.
15. Eligible food retailers who choose to use the SAM set out in this determination will use a simple formula to calculate their entitlement to input tax credits for each tax period. The formula uses the relationship between the taxable and GST-free sales made to determine an estimate of creditable acquisitions made. The rationale behind this formula is that the percentage of acquisitions which are creditable acquisitions would be expected to be in line with the percentage of sales which are taxable for the kinds of businesses to which the determination applies.
16. We envisage that this determination will satisfy the industry's concerns over the current costs of compliance for their members. In addition, the determination is consistent with the Commissioner's commitment to making the tax experience of small business easier, cheaper and more personalised.

17. 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:

18. This instrument replaces *A New Tax System (Goods and Services Tax) Simplified Accounting Method Determination (No. 1) 2005*. The replaced instrument is repealed on the commencement of this determination.

Consultation:

19. 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.
20. Extensive consultation was carried out with external stakeholders during the development of the previous instrument.
21. Therefore, no further consultation was undertaken as the instrument is considered minor or machinery in nature, and does not substantially change the law.

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. 29) 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 supermarkets or convenience stores (eligible food retailers) with the option of using a simplified GST accounting method (SAM) to calculate their entitlements to input tax credits for trading stock for a particular tax period. Eligible food retailers do not include petrol stations.

Human rights implications

This instrument does not engage any of the applicable rights or freedoms. It allows eligible food retailers an opportunity to choose and 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.