Australian Government
Australian Taxation Office

Print whole section

GST for food retailers – Simplified accounting methods

Describes the simplified GST accounting methods (SAMs) for food retailers and explains when they can be used.

Last updated 23 October 2019

Five simplified accounting methods (SAMs) have been designed for food retailers that buy and sell a mixture of products, where some are taxable and some are GST-free.

You can choose **one** of these SAMs to help work out your GST for each tax period. If you decide to use a SAM, you must tell us the method you are going to use.

You can't use these methods to set your prices. You must set your prices in line with the Australian Competition and Consumer Commission's (ACCC's) guidelines.

Choosing a SAM

There are five simplified accounting methods you can use to estimate your GST-free sales and purchases.

Eligibility for SAMs

Determine whether you are eligible for the simplified accounting methods.

Notifying us

If you decide to use a simplified accounting method, you must notify us.

Business norms method

Check whether you meet the conditions to use the Business norms method. This is the simplest method.

Stock purchases method

Check whether you meet the conditions to use the Stock method, which is designed for businesses that are resellers.

Snapshot method

Check whether you meet the conditions to use the Snapshot method.

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Check whether you meet the conditions to use the Sales percentage method.

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Choosing a SAM

There are five simplified accounting methods you can use to estimate your GST-free sales and purchases.

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If you sell food, there are five SAMs you can use to estimate your GST-free sales and/or purchases:

- Business norms – applies business norms percentages to your sales and purchases. This is the simplest method but can only be used by specified business types including bakeries, health food shops and convenience stores.
- Stock purchases – uses information relating to your purchases to estimate your GST-free sales.
- Snapshot – take a snapshot of your trading to estimate your GST-free sales and GST-free purchases.
- Sales percentage – work out what percentage of GST-free sales you make in a tax period and apply this to estimate your GST-free purchases. Available to supermarkets, groceries and convenience stores.
- Purchases snapshot – take a snapshot of your purchases and use this sample to calculate your GST credits. Available to restaurants, cafés and caterers only.

To use a SAM you must meet the basic eligibility conditions:

- you make both taxable and GST-free sales of food (or, for the purchases snapshot method, you *buy* both taxable and GST-free food)
- your relevant turnover is not more than $2 million.

Which SAM you can choose also depends on:

- whether you're a converter or reseller – if you're both, you're treated as a converter
- whether you have adequate point-of-sale equipment for distinguishing GST-free and taxable sales
- whether you sell both taxable and GST-free food on the same premises.

If you decide to use a SAM, you must tell us which method you are going to use.

Find out about:

- Eligibility for SAMS
- Notifying us
- Completing your activity statement

See also:

- When and how to report and pay GST

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Eligibility for SAMs

Determine whether you are eligible for the simplified accounting methods.

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Use this table to determine eligibility for the simplified accounting methods (SAM).

Table 1: Eligibility for simplified accounting method (SAM)

SAM	Nature of business	Point-of-sale equipment	Same premises	Tu thr
Business norms	Reseller and/or converter	Inadequate	Required	SA tur of les
Stock purchases	Reseller only	Inadequate	Required	SA tur of les

Snapshot	Reseller or converter	Inadequate	Required	SA tur of les
Sales percentage	Reseller, or converter whose conversions are 5% or less of total sales	Adequate	na	GS tur of les
Purchases snapshot	Reseller or converter	na	na	GS tur of les

Nature of your business

To determine if you're eligible to use a SAM, you need to work out if you're a converter or a reseller.

Reseller

A 'reseller' is a business that buys GST-free goods that remain GST-free when they are resold. In other words, resellers sell GST-free products in an unchanged form. They don't convert them into taxable products. For example, a green grocer selling fruit and vegetables is a reseller.

Converter

A 'converter' is a business who purchases GST-free goods and converts them into taxable goods. For example, a food retailer who buys GST-free ingredients (bread, fruit, vegetable and meat) and converts them into taxable food and drinks (hot meals and drinks) is a converter.

If you are both a reseller and a converter, you are treated as a converter. For example, a snack bar that sells taxable hot food and GST-free drinks such as bottled water and juice is treated as a converter.

Point-of-sale equipment

Your point-of-sale equipment will be regarded as adequate if it can both:

- identify and record each separate sale as either GST-free or taxable
- identify and record separately the amount of your GST-free and total sales for a specified period.

Adequate point-of-sale equipment will generally include:

- electronic scanning systems
- touch screen registers
- product-specific cash registers.

This kind of equipment can retain and apply information on products, including whether they are taxable or GST-free.

Your point-of-sale equipment will be inadequate if it cannot separately identify and record your GST-free and total taxable sales for a specified period or is even less sophisticated.

For example, a cash register that has a GST-free or taxable key and relies on the operator to work out the GST status of each of the goods they sell is not adequate point-of-sale equipment.

Same premises

A SAM may specify that you must make both GST-free and taxable food sales from the same premises.

Example: Same premises

If you run a small sandwich bar selling sandwiches, fruit and drinks, you may have difficulty identifying and recording your GST-free sales from your taxable sales, as all sales are made from one location. You could use a SAM to simplify this process.

However, a sole trader who operates a smoothie bar and also sells fresh fruit and vegetables from a separate location is not eligible to use these SAMs because they would be able to identify the GST-free fruit and vegetable sales from taxable sales of smoothies.

Turnover threshold

Your eligibility to use a SAM depends on you having a:

- SAM turnover of $2 million or less for the business norms, stock purchases and snapshot methods
- GST turnover of $2 million or less for the sales percentage method and purchases snapshot method.

If you meet the turnover threshold requirements when you choose your SAM, you can continue using it for the remaining tax periods in the first 12 months after you make your choice. However, you will not be eligible to use a SAM in tax periods that start after the first 12 months.

SAM turnover

To work out if you're below the SAM turnover:

- You apply the threshold test only to your trading sales, which means you include sales of trading stock and any other trading income but you ignore any sales of capital assets or other supplies you might make solely in ceasing or scaling down your business. Trading income includes things like receipts from services. Capital assets include things like land and buildings or plant and equipment.
- The threshold amount is GST-exclusive – this means you don't include the GST in your trading sales when you work out whether they are lower than the threshold.
- You may apply the threshold test to either
  - your trading sales for the last financial year
  - your projected trading sales for the current financial year. If you started your business during the financial year, you can apply the threshold to your projected trading sales for the financial year as if it were a 12-month period.

GST turnover

Your GST turnover is your gross business income (not your profit), excluding any:

- GST included in sales
- sales not connected with an enterprise you carry on
- input-taxed sales
- sales not connected with Australia.

Your GST turnover is over the threshold if either:

- your turnover for the current month and the previous 11 months is more than $2 million (current GST turnover)
- your turnover for the current month and the next 11 months is likely to be more than $2 million (projected GST turnover).

In working out your projected GST turnover, you do not include amounts received for the sale of a business asset or any sale made, or likely to be made, solely as a consequence of ceasing or substantially and permanently reducing the size of the business.

Find out about:

- Notifying us
- Completing your activity statement

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Notifying us

If you decide to use a simplified accounting method, you must notify us.

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If you decide to use a SAM, you must tell us which method you are going to use. Your choice to use a SAM has effect from the start of the tax period stated on your notice.

You can only choose one SAM. That is, you cannot choose to apply a SAM in addition to another SAM.

You also need to let us know if you are going to stop using this method. You can only revoke your choice to use a SAM if you have been using it for at least 12 months. Once you stop using it, you cannot choose to use another SAM in the first 12 months of revoking your decision.

Example: Snapshot method

Kim's Snack Bar chooses to use the Snapshot method from 1 January 2018. Kim cannot revoke his choice to use this SAM until 1 January 2019. If Kim chooses to revoke his choice on 1 January 2019, he cannot choose to use another SAM until 1 January 2020.

If you no longer meet a requirement to use a method, you must stop using the SAM from the start of the next tax period after you cease to be eligible.

Example: Business norms method

Siew Foodz reports and pays GST quarterly. They use the Business norms method to work out their GST-free sales and trading stock purchases.

On 3 June 2018, Siew Foodz installs adequate point-of-sale equipment. They no longer meet the requirements to use the Business norms method. They must stop using this SAM on 1 July 2018. They must use the normal GST rules to work out their GST-free sales or trading stock purchases from that date. They need to notify us using the applicable form.

If you meet the turnover threshold requirements when you choose your SAM, you can continue using it for the remaining tax periods in the first 12 months after you make your choice. However, you will not be eligible to use a SAM in tax periods that start after the first 12 months.

Next steps:

To notify us, complete the applicable form:

- Election to use a simplified GST accounting method

- Notice to revoke an election to use a simplified GST accounting method.

Find out about:

- Business norms method
- Stock purchases method
- Snapshot method
- Sales percentage method
- Purchases snapshot method
- Completing your activity statement

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Business norms method

Check whether you meet the conditions to use the Business norms method. This is the simplest method.

Last updated 23 October 2019

Note: A reference to 'sales' in this section means sales of trading stock and any other trading income but not sales of capital assets or other supplies you might make solely in ceasing or scaling down your business. Trading income includes things like receipts from services.

The Business norms method is the simplest way for you to work out your GST.

You can use this method if you meet all of the following conditions:

- Available to specified business types only listed in the Business norms table and pharmacies that sell food and rural convenience stores.
- Nature of business – reseller and/or converter.
- Point-of-sale equipment – inadequate.

- Same premises – sell taxable and GST-free food on the same premises.
- Turnover threshold – SAM turnover of $2 million or less.

With this SAM, you apply the business norms percentages that apply to your business to your total sales and your total trading stock purchases to determine your GST-free sales and GST-free trading stock purchases.

We consulted with industry representatives and gathered data directly from retailers to determine the business norms percentages.

Table 2: Business norms method

Type of retailer	Percentage for GST-free sales	Percentage for GST-free trading stock purchases
Cake shop	2%	95%
Continental delicatessen	85%	90%
Convenience store that prepares takeaway food	22.5%	30%
Convenience store that does not prepare takeaway food	30%	30%
Fresh fish shop	35%	98%
Health food shop	35%	35%
Hot bread shop	50%	75%

For the purposes of the Business norms method, the following business types mean:

- **Cake shop** – you mainly sell cakes, pastries or similar products as opposed to bakeries or breads shops that mainly sell bread or similar bread products. You must not operate as a café.
- **Continental delicatessen** – you mainly sell processed meats, smallgoods, salamis, cheeses and similar items. However, you are not eligible to use the Business norms method if you
  - mainly sell grocery items, even if your business is called a deli, delicatessen or continental delicatessen, and
  - make any café or restaurant sales.
- **Convenience store** – you sell a mixture of goods including bread, milk, dairy products, cigarettes, confectionery, grocery lines and takeaway food (for example, freshly prepared sandwiches). However, you will not be eligible to use the Business norms method if you either
  - mainly sell takeaway or dine-in food (for example, a fish and chip shop)
  - sell fuel or alcohol.
- **Fresh fish shop** – you mainly sell fresh fish and other seafood, with some sales of cooked fish and chips. However, you will not be eligible to use the Business norms method if you mainly sell cooked fish and chips with only a small amount of fresh seafood sales.
- **Health food shop** – you mainly sell food, food supplements, vitamins and other heath food products. You must not convert GST-free food into taxable foods, that is, you only resell items and don't prepare sandwiches or make your own health food bars.
- **Hot bread shop** – you mainly sell bread as opposed to cakes.

How it works

To estimate your GST-free sales:

- work out your total sales for a tax period
- multiply your total sales by the sales percentage from Table 2 – Business norms method that is relevant to your business. The result

is your total GST-free sales.

To estimate your GST-free trading stock purchases:

- work out your total trading stock purchases for a tax period
- multiply your total trading stock purchases by the trading stock percentage from the Table 2 – Business norms method that is relevant to your business. The result is your total GST-free trading stock purchases.

Example: Business norms method

Carlo has a hot bread shop. He uses the Business norms method, applying the percentages from Table 2 – Business norms method.

Carlo works out his total GST-free sales and trading stock purchases in the following way.

Sales:

- Total sales for tax period = $120,000
- GST-free sales (50% of $120,000) = $60,000.

Purchases:

- Total trading stock purchases for tax period = $95,000
- GST-free trading stock purchases (75% of $95,000) = $71,250.

Note: If you are a **pharmacy** or **rural convenience store** additional rules apply when you use the Business norms method.

Pharmacies that also sell food

To use the Business norms method for a pharmacy, you must have:

- Pharmaceutical Benefits Scheme (PBS) and non-PBS prescription sales
- over the counter sales

- food sales
- a SAM turnover of $2 million or less excluding PBS prescription sales.

To work out your total GST-free sales:

- Step 1 – identify your PBS prescription sales
- Step 2 – identify your non-PBS prescription sales and over the counter sales and apply the relevant business norms percentages to these components to work out your GST-free sales for each component
- Step 3 – add all the figures worked out in Steps 1 and 2 (PBS prescription sales + GST-free non-prescription sales + GST-free over the counter sales).

To work out your total GST-free trading stock purchases:

- Step 1 – identify your non-PBS prescription and over-the-counter trading stock purchases
- Step 2 – apply the relevant business norms percentages to these components to work out your GST-free trading stock purchases.

Table 3: Pharmacies that also sell food

Sales	Percentage of GST-free sales	Percentage of GST-free trading stock purchases
Non-PBS prescription	98%	Nil
Over-the-counter	47.5%	2%

Rural convenience stores

For the Business norms method to apply to your rural convenience store (also known as a mixed business, milk bar or deli), you must:

- mainly sell 'mixed business' product lines, such as, bread, milk, dairy products, cigarettes, confectionery and grocery lines, but not where the majority of sales are of takeaway food items
- sell fuel
- not sell alcohol
- have a SAM turnover $2 million or less after deducting any sales for both
  - fuel
  - an Australia Post agency business.

Before applying the business norms percentages:

- deduct sales for fuel or your Australia Post agency business (if any) from your total sales for each tax period
- deduct trading stock purchases for fuel or your Australia Post agency business (if any) from your total trading stock purchases for each tax period.

Then apply the relevant business norms percentages to the reduced sales and stock purchases figures depending if you are either a

- reseller
- converter.

Any sales for fuel and/or Australia Post agency should be included in total sales at box G1 of your activity statement.

Table 4: Rural convenience stores

Business types	Percentage of GST-free sales	Percentage of GST-free trading stock purchases
Converter	22.5%	30%
Re-seller	30%	30%

Find out about:

- Stock purchases method
- Snapshot method
- Sales percentage method
- Purchases snapshot method
- Completing your activity statement

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Stock purchases method

Check whether you meet the conditions to use the Stock method, which is designed for businesses that are resellers.

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Note: A reference to 'sales' in this section means sales of trading stock and any other trading income but not sales of capital assets or other supplies you might make solely in ceasing or scaling down your business. Trading income includes things like receipts from services.

The Stock purchases method is designed for businesses that are resellers, not converters.

You can only use the Stock purchases method if you meet all of the following conditions:

- **Nature of business** – resellers only.
- **Point-of-sale equipment** – inadequate.
- **Same premises** – sell both taxable and GST-free food on the same premises.
- **Turnover threshold** – SAM turnover of less than $2 million.

You may be eligible to use this method if you operate a business such as a:

- grocery store or supermarket

- convenience store or milk bar
- health food shop
- continental delicatessen
- butchery
- service station
- newsagency
- greengrocer's store.

How it works

Using the Stock purchases method, you use information relating to your trading stock purchases to estimate your GST-free sales and trading stock purchases.

There are three ways you can use the Stock purchases method:

1. Every tax period – you work out the percentage of GST-free trading stock purchases then use this percentage to estimate your sales.
2. Two four-week sample periods – you use GST-free trading stock percentages from sample periods to estimate both your GST-free sales and trading stock purchases.
3. 5% GST-free stock estimation basis – you use the mark-ups on your trading stock purchases to estimate your GST-free sales.

Every tax period

Using this option, you calculate the GST credits on your trading stock purchases based on your tax invoices but estimate the GST you are liable to pay on your sales. You do this in two steps:

- Step 1 – work out the percentage of your GST-free trading stock purchases by dividing your GST-free trading stock purchases by your total trading stock purchases for a tax period.
- Step 2 – apply this percentage to your total sales to estimate your total GST-free sales for the same tax period.

You must complete these steps for every tax period.

Example: Every tax period

Connie runs a grocery store and decides to use the Stock purchases method every tax period to account for GST. She only resells goods and doesn't convert any items.

During a quarterly tax period, Connie purchases trading stock totalling $203,000, which includes GST-free stock totalling $99,470. Connie's sales total $219,500 during the same period.

Connie works out her total GST-free sales in the following way:

- Total trading stock purchases = $203,000
- Total GST-free trading stock purchases = $99,470
- Percentage of GST-free trading stock purchases ($99,470 ÷ $203,000 × 100) = 49%
- **Total GST-free sales ($219,500 × 49%) = $107,555**.

Connie has to do this calculation every tax period.

Two four-week sample periods

Using this option, you estimate your GST-free trading stock purchases and sales.

To do this, calculate the percentages of your total trading stock purchases that are GST-free over two four-week sample periods during the financial year. You then apply the applicable sample period percentage to both your total trading stock purchases and sales to calculate your GST-free trading stock purchases and GST-free sales for each tax period.

- **Step 1** – Work out your sample period percentages (if not already worked out)
  - choose your sample periods. You must choose two for each financial year. They must be a continuous four week period and they must be between
    - 1 June and 31 July to cover tax periods from 1 July to 31 December, and

    - 1 December and 31 January to cover tax periods from 1 January to 30 June

for the relevant financial year.

- Work out the percentage of your GST-free trading stock purchases from your total trading stock purchases for the two sample periods.

Sampling is done at these times to allow for seasonal fluctuations. However, if you have recently started your business, your first sample period should be in the first two months of trading.

- **Step 2** – Work out your GST-free sales
  - work out your GST-free sales for a tax period by applying the applicable sample period percentage to the total sales for that tax period
  - apply this percentage to every tax period until the next sample period.
- **Step 3** – Work out your GST-free trading stock purchases
  - work out your GST-free trading stock purchases for a tax period by applying the applicable sample period percentage to the total trading stock purchases for that tax period
  - continue to apply this percentage to every tax period until the next sample period.

Example: Two four-week sample periods

Andrew runs a supermarket. He resells all his goods. He doesn't convert any GST-free goods into taxable products.

Andrew chooses his first sample period to start 1 June and to end on 28 June. During this sample period, Andrew has total trading stock purchases of $60,000 of which $29,400 is GST-free.

For his September quarter tax period, Andrew has:

- total sales of $219,000
- total stock purchases of $203,000.

He works out his total GST-free sales and trading stock purchases for the tax period using the following three steps:

Step 1 – Work out your sample period percentage for GST-free trading stock.

- \$29,400 ÷ \$60,000 × 100 = **49%**

Step 2 – Work out your GST-free sales for the September quarter tax period.

Apply the applicable sample period percentage to total sales.

- \$219,500 × 49% = **\$107,555**

Step 3 – Work out your GST-free trading stock purchases for the September quarter tax period.

Apply the applicable sample period percentage to total trading stock purchases.

- **\$203,000 × 49% = \$99,470**

Andrew applies the 49% rate to his total trading stock purchases and sales for subsequent tax periods until January. He will then choose a second sample period between 1 December and 31 January.

5% GST-free stock estimation basis

In this method, you use the 'mark-ups' on your GST-free trading stock purchases to estimate your GST-free sales.

You may use this basis if it is reasonable to conclude that the projected GST-free trading stock that you purchase and resell GST-free is not more than 5% of your total trading stock purchases.

The following food retailers are likely to be able to use the 5% GST-free stock estimation basis:

- kiosks that don't prepare takeaway meals
- service stations
- newsagents.

Example: 5% GST-free stock estimation basis

Valda from Valda's Arcade reviews her suppliers' tax invoices for the tax period. She finds that the total trading stock she has purchased GST-free and resold GST-free is $750, as follows:

- Bottled water – $300
- Pure fruit juice – $450
- **Total – $750**.

Valda's total trading stock purchases are $24,000, so her GST-free trading stock purchases are only 3.1% of this total. This tax period is representative of her trading stock purchases.

It is reasonable for Valda to conclude that her projected GST-free trading stock purchases that she will resell GST-free are less than 5% of her total trading stock purchases. Valda can use this estimation basis.

Using this option, you work out your actual GST-free trading stock purchases based on your tax invoices.

You estimate your total GST-free sales by applying your mark-ups to the product lines you buy GST-free and resell GST-free and then adding these up to work out your estimated GST-free sales.

Estimate your GST-free sales in the following four steps:

- **Step 1** – identify a product line or trading stock that you buy GST-free and resell GST-free.
- **Step 2** – work out for each product line in step 1 the total acquisitions you made for a tax period.
- **Step 3** – apply your mark-ups to the totals from step 2 to estimate total GST-free sales for each product line.
- **Step 4** – add your estimated GST-free sales for each product line to calculate your total GST-free sales for a tax period.

If your mark-up is the same for each product line, you don't have to separately record the totals for each product line. Only record the total amount of GST-free trading stock purchases. Apply your mark-up to this amount to calculate your total GST-free sales.

Example: Calculating GST-free purchases and sales

Using the previous example, Valda has GST-free trading stock purchases totalling $750 for the tax period ($300 for bottled water and $450 for pure fruit juice). Valda's mark-up is 40% for bottled water and 30% for pure fruit juice. She estimates her total GST-free sales are $420 ($300 + 40% mark-up) for bottled water and $585 ($450 + 30% mark-up) for fruit juice.

Valda adds these amounts to calculate her total GST-free sales of $1,005 for the tax period.

Find out about:

- Snapshot method
- Sales percentage method
- Purchases snapshot method
- Completing your activity statement

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Snapshot method

Check whether you meet the conditions to use the Snapshot method.

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Note: A reference to 'sales' in this section means sales of trading stock and any other trading income but not sales of capital assets or other supplies you might make solely in ceasing or scaling down your business. Trading income includes things like receipts from services.

You can only use the Snapshot method if you meet all of the following conditions:

- **Nature of business** – reseller or converter. Available to most food retailing businesses.

- **Point-of-sale equipment** – inadequate.
- **Same premises** – sell both taxable and GST-free food at the same premises.
- **Turnover threshold** – SAM turnover of $2 million or less.

You may be eligible to use the Snapshot method if you operate a:

- grocery shop or supermarket
- convenience store or milk bar
- fish and chip shop
- health food shop
- continental delicatessen
- butchery
- cake shop
- hot bread shop or bakery
- restaurant (dine-in and takeaway)
- sandwich bar
- kiosk or canteen
- tuckshop that is not input-taxed.

This is not a complete list – there are other businesses that may be eligible.

How it works

There are three ways you can use the Snapshot method:

- Two sample periods – you use percentages from sample periods to estimate both your GST-free sales and trading stock purchases.
- Every tax period – you work out your GST-free trading stock purchases from tax invoices but estimate your GST-free sales using sample period percentages.
- The 5% GST-free stock estimation basis – you use the mark-ups on your trading stock purchases to estimate your GST-free sales. You either work out your actual GST-free trading stock purchases or use

sample period percentages to work out your GST-free trading stock purchases.

Two sample periods

If you use the Snapshot method option, you work out the percentages of GST-free sales and trading stock purchases in sample periods in a financial year. You then apply the applicable sample period percentages to your total sales and trading stock purchases to estimate your GST-free sales and trading stock purchases for a tax period.

To work out your GST-free trading sales:

- **Step 1** – Work out sample period percentages for your sales and trading stock purchases (if not worked out already) for the relevant financial year
  - choose your sample periods for sales and trading stock purchases
    - for sales, it must be a continuous two week period
    - for trading stock purchases, it must be a continuous four week period
  - they should be between
    - 1 June and 31 July to cover tax periods from 1 July to 31 December
    - 1 December and 31 January to cover tax periods from 1 January to 30 June.
- Work out
  - the percentage of your GST-free sales for the two-week sample period
  - the percentage of your GST-free trading stock purchases for the four-week sample period.

Sampling is done at these times to allow for seasonal fluctuations. However, if you have recently started your business, your first sample period should be in the first two months of trading.

- **Step 2** – Apply the sample period percentages

- work out your GST-free sales for a tax period by applying the applicable sample period percentage to your total sales for that tax period
- work out your GST-free trading stock purchases for a tax period by applying the applicable sample period percentage to your total trading stock sales for that tax period
- apply this percentage to each tax period until the next sample period.

Every tax period

Under this method, you use the Snapshot method-two sample periods to work out your GST-free sales.

You work out your actual GST-free trading stock purchases based on your invoices.

You choose this method if you believe using the four-week sample period percentages does not accurately represent GST-free trading stock purchases.

5% GST-free stock estimation basis

Retailers of mainly taxable goods may be able to use the 5% GST-free stock estimation basis to estimate their GST-free sales.

You estimate your total GST-free sales by applying your mark-ups to the product lines you buy and resell GST-free. You then add these together to work out your total estimated GST-free sales.

You can either work out your actual GST-free trading stock purchases from tax invoices or estimate your GST-free trading stock purchases using the Snapshot method-two sample periods.

You may use this option if it is reasonable to conclude that your projected GST-free sales don't make up more than 5% of your total sales.

The following food retailers are likely to be able to use this estimation basis:

- cafes and restaurants with takeaway sales of some GST-free items
- other takeaway food retailers (such as fish and chip shops)

- kiosks or canteens
- tuckshops that are not input-taxed.

If you are purely a reseller and not a converter, see 5% GST-free stock estimation basis under the Stock purchases method.

Example: 5% GST-free stock estimation basis

Vera's Diner has GST-free sales of $1,200 (made up of $600 of bottled water and $600 of milk) in a tax period.

For the same tax period, Vera's total sales are $30,000, so her GST-free sales are only 4% of this total. This tax period is representative of her sales.

Vera can use this estimation basis because the percentage of her GST-free sales is less than 5%.

If you are eligible to use this option, you work out your GST-free trading stock purchases by either:

- working out your actual GST-free purchases every tax period from your tax invoices
- in the same way as in the Snapshot method-two sample periods.

Estimate your GST-free sales in the following steps:

- **Step 1** – identify product lines or trading stock that you buy GST-free and resell GST-free.
- **Step 2** – work out for each product line in step 1 the total acquisitions you made for a tax period.
- **Step 3** – apply your mark-ups to the totals from step 2 to estimate total GST-free sales for each product line.
- **Step 4** – add your estimated GST-free sales for each product line to calculate your total GST-free sales for a tax period.

If your mark-up is the same for each product line, you don't have to separately record the totals for each product line. Only record the total amount of GST-free trading stock purchases. Apply your mark-up to this amount to calculate your total GST-free sales.

Example: Calculating GST-free sales

Lee's Lunch Spot buys a number of GST-free products in the tax period. Lee examines her records and notes that her GST-free trading stock purchases for the tax period are bottled water ($500) and milk ($1,000).

Lee converts $200 worth of the milk purchases into taxable milkshakes and resells $800 worth of this milk GST-free.

Lee works out her GST-free sales as follows:

- **Steps 1 and 2** – the GST-free product lines she bought GST-free and will resell were bottled water ($500) and milk ($800 – that is, $1,000 reduced by $200).
- **Step 3** – she applied mark-ups of 60% for bottled water ($500 + 60% = $800) and 30% for milk ($800 + 30% = $1,040).
- **Step 4** – her GST-free sales totalled $1,840 ($800 for bottled water + $1,040 for milk).

Find out about:

- Sales percentage method
- Purchases snapshot method
- Completing your activity statement

QC 16262

Sales percentage method

Check whether you meet the conditions to use the Sales percentage method.

Last updated 23 October 2019

If you use this method, you work out the GST-free percentage of your total sales. You then apply this percentage to your trading stock purchases for the tax period to estimate your GST-free purchases.

The Sales percentage method assumes that if you only resell goods that you purchase, the percentage of your GST-free sales will be similar to the percentage of your GST-free trading stock purchases.

You can use this method if you meet all of the following conditions:

- **Nature of business** – reseller, or converter whose conversions are 5% or less of total sales, for example, supermarkets and convenience stores. Not available to petrol stations.
- **Point-of-sale equipment** – adequate.
- **Same premises** – not applicable.
- **Turnover threshold** – GST turnover of $2 million or less.

Example: Sales percentage method

Anita owns a small supermarket. She resells most of her goods and converts only about 2% of items into taxable sales (mostly cooked chickens). She decides to use the Sales percentage method to calculate her GST.

In a quarterly tax period, Anita works out the supermarket has a total of $200,000 in sales. Her records from her point-of-sale equipment indicate the total amount of GST-free sales is $60,000. She has a total of $100,000 for trading stock purchases for the period.

- **Step 1** – Total sales = $200,000
- **Step 2** – Total GST-free sales = $60,000
- **Step 3** – Percentage of GST-free sales
($60,000 ÷ $200,000 × 100) = 30%
- **Step 4** – Total GST-free trading stock purchases
($100,000 × 30%) = $30,000

Anita has to do the above calculation every tax period using this method.

Find out about:

- Purchases snapshot method
- Completing your activity statement

QC 16262

Purchases snapshot method

Check whether you meet the conditions to use the Purchases snapshot method.

Last updated 23 October 2019

The Purchases snapshot method only applies to trading stock purchases. Therefore, you must use the normal GST rules to work out both your:

- GST credits on the purchases that are not trading stock
- GST liability on sales.

You can only use the Purchases snapshot method if you meet all of the following conditions:

- Available to restaurants, cafés and caterers only.
- **Nature of business** – reseller or converter.
- **Same premises** – not applicable.
- **Point-of-sale equipment** – not applicable.
- **Turnover threshold** – GST turnover of $2 million or less.

How it works

With this method, you work out the percentages of your trading stock purchases that are GST-free in two four week sample periods each financial year. You apply these sample percentages to trading stock purchases for each tax period to estimate your GST-free trading stock purchases. Each four-week sample period should be typical of your trading stock purchases.

To apply the Purchases snapshot method, use the following steps:

- **Step 1** – choose a four-week sample period.

- **Step 2** – work out the percentage of GST-free trading stock purchases you made for that period.
- **Step 3** – apply the percentage of GST-free trading stock purchases to your total trading stock purchases.
- **Step 4** – work out the GST credits you are eligible to claim at the end of the tax period based on the GST-free trading stock purchases percentage you have worked out.

Choosing a sample period

Generally, your four-week sample periods must be taken within the set periods of:

- 1 June to 31 July, and
- 1 December to 31 January.

However, it is possible to take sample periods outside the set periods.

If your business is new, and you want to use this method from the day your business starts, the first sample period must be within two months of the date you start selling food to customers.

If you operate an existing business, and you want to use this method from the beginning of a tax period that starts outside the set periods, the first sample period can be either of the following:

- a four-week period during the tax period in which you start to use this method
- a four-week period during whichever of the set sample periods has most recently passed.

Work out the GST-free trading stock percentage

To work out the GST-free trading stock percentage for the sample period, first work out the total amount of your trading stock purchases for that period.

If you account for GST on a cash basis, this will be the total amount you paid for trading stock during the period.

If you account for GST on a non-cash basis, this will be the total price of trading stock you have purchased during the period. You include a purchase in the earlier of the periods in which either:

- an invoice has been issued for the purchase
- you have made any payment for the purchase.

After working out your total trading stock purchases, work out the total amount of these purchases that were GST-free.

To calculate the GST-free trading stock percentage for the sample period divide the total GST-free trading stock purchases figure by the total trading stock purchases figure. Multiply by 100 to obtain the percentage:

- Total GST-free trading stock purchases ÷ Total trading stock purchases × 100 = GST-free trading stock percentage.

If your first sample period is not between 1 June to 31 July or 1 December to 31 January, your GST-free trading stock percentage must be applied to all tax periods until the earlier of either:

- 30 June
- 31 December.

If your sample period is between 1 June and 31 July, your GST-free trading stock percentage must be applied to all tax periods between 1 July and 31 December.

If your sample period is between 1 December and 31 January, your GST-free trading stock percentage must be applied to all tax periods between 1 January and 30 June.

Work out the estimated GST-free trading stock purchases

Use the GST-free trading stock percentage to work out your estimated GST-free trading stock purchases for each tax period until your next sample period. To do this, calculate the following:

- Total trading stock purchases for the tax period × GST-free trading stock percentage for the sample period = Estimated GST-free trading stock purchases for the tax period.

When using this method, you don't have to hold tax invoices for your trading stock purchases when calculating your GST credits for a tax period. However, you must keep appropriate records, such as receipts and invoices, to explain how you calculated the GST credits.

Calculate your GST credits on the trading stock purchases

To work out your GST credits on trading stock purchases for the tax period, work out one-eleventh of your taxable trading stock purchases for that period. To do this, calculate the following:

- (Trading stock purchases – Estimated GST-free trading stock purchases) × (1 ÷ 11) = GST credits on trading stock purchases.

Example: Purchases snapshot method

Anil has been operating a restaurant for five years. He reports and pays his GST quarterly. His GST turnover is below $2 million. Anil has not previously used a SAM. He has been identifying and recording the GST status and the amounts of all trading stock he purchases.

Anil decides to use the Purchases snapshot method from 1 October 2015 to work out his GST credits for his trading stock purchases. He completes an election form to notify us of his decision.

Step 1 – Anil can choose either a:

- four-week period between 1 October 2015 and 31 December 2015
- four-week period between 1 June 2015 and 31 July 2015.

Anil uses the second option and chooses a sample period of 3 July – 30 July 2015. This is because he has already identified the GST status and the total trading stock for that period.

Step 2 – Anil works out that the:

- total cost of his trading stock purchases for the sample period is $15,000
- total cost of his GST-free trading stock purchases for the sample period is $10,500
- percentage of his GST-free trading stock purchases is 70% ($10,500 ÷ $15,000 × 100).

Step 3 – During the tax period 1 October – 31 December 2015, Anil purchases $65,000 of trading stock. He uses the percentage he works out for his sample period to calculate that the total of his GST-free trading stock purchases for the tax period is $45,500 ($65,000 × 70%).

Step 4 – Anil works out the total of his GST credits on trading stock purchases for the tax period is $1,773 ([$65,000 − $45,500] × 1 ÷ 11). He uses this amount to work out the amount of GST he is liable to pay for the tax period.

Next sample periods

Anil must choose two four-week sample periods each financial year to continue to work out the GST-free percentage of his trading stock purchases.

His next four-week sample period is between 1 December 2015 and 31 January 2016. Anil calculates the GST-free percentage of his trading stock purchases for this sample period then applies it to the following two tax periods:

- January – March 2016
- April – June 2016.

Anil then needs to choose another four-week sample period between 1 June and 31 July 2016 to calculate his GST credits for the tax periods:

- 1 July – 30 September 2016
- 1 October – 31 December 2016.

Find out about:

- Completing your activity statement

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Completing your activity statement

How to complete your activity statement if you choose to use a simplified accounting method.

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A SAM can only be applied to sales and purchases of trading stock.

If you decide to use a SAM, you will still need to separately consider other sales (such as non-trading stock or capital items) and expenses (such as rent, phone and any capital items) when you complete your activity statement.

You are required by law to keep proper records. When using a SAM, you must keep records that explain how you worked out your GST-free sales and trading stock purchases for a tax period. For example, you may need to keep your calculation sheets and notes on how you worked out your sample period percentages.

See also:

- When and how to report and pay GST
- GST reporting methods

Increasing adjustments if you revoke your election

If you include a purchase in your trading stock purchases for a tax period and later revoke your election to use a SAM, you may need to make an increasing adjustment to the activity statement you completed while you were using the SAM. The increasing adjustment ensures you do not claim two GST credits for the same purchase.

This could happen if you didn't have a tax invoice when you included the purchase in your trading stock purchases when using a SAM, but you received the tax invoice after you revoked the method and started claiming GST credits under the normal attribution rules.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

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