GSTD 2002/3 - Goods and services tax: how do I account for GST when I supply taxable goods, non-taxable goods and delivery services together?

This cover sheet is provided for information only. It does not form part of *GSTD 2002/3 - Goods and services tax: how do I account for GST when I supply taxable goods, non-taxable goods and delivery services together?*

From 1 July 2015, the term 'Australia' is replaced in nearly all instances within the GST, Luxury Car Tax, and Wine Equalisation Tax legislation with the term 'indirect tax zone' by the *Treasury Legislation Amendment (Repeal Day) Act 2015*. The scope of the new term, however, remains the same as the now repealed definition of 'Australia' used in those Acts. This change was made for consistency of terminology across the tax legislation, with no change in policy or legal effect. For readability and other reasons, where the term 'Australia' is used in this document, it is referring to the 'indirect tax zone' as defined in subsection 195-1 of the GST Act.

This document has changed over time. This is a consolidated version of the ruling which was published on *31 October 2012*

Goods and Services Tax Determination

Goods and services tax: how do I account for GST when I supply taxable goods, non-taxable goods and delivery services together?

Preamble

This document was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the ***Taxation Administration Act 1953*** *and former section 105-60 of Schedule 1 to the* ***Taxation Administration Act 1953****.*

From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the ***Taxation Administration Act 1953****.*

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you - provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

*[****Note:*** *This is a consolidated version of this document. Refer to the Legal Database (http://law.ato.gov.au) to check its currency and to view the details of all changes.]*

Date of effect

This Determination applies [to tax periods commencing] both before and after its date of issue. However, this Determination will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Determination (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

Background

1. Delivery services are often associated with the supply of goods.[1] Where you supply goods delivered to an address specified by your customers, the facts will determine whether the goods and delivery are separate supplies, separately identifiable parts of a mixed supply, or a composite supply of delivered goods.[2]

[1] 'Delivery' can include a range of services such as selecting, packing, handling, administration and actual physical delivery of goods. This will depend on the agreement between the parties. For example, internet grocers often advertise that they are supplying selection and packing as well as the delivery.

[2] Goods and Services Tax Ruling GSTR 2001/8 which is about apportioning the consideration for a supply that includes taxable and non-taxable parts, at paragraphs 40 to 69, discusses how to differentiate between mixed and composite supplies.

Supplies of goods and delivery services

2. You may make supplies of goods and delivery, or arranging delivery, under separate contractual arrangements. Alternatively, you may supply goods and a separate service of delivery under one contract where the goods and the delivery service are separately identifiable parts of a mixed supply. We consider that delivery is a separately identifiable part of a mixed supply where it is significant[3] and could realistically be made as a separate supply. A delivery service is significant where it is an aim in itself. That is, your customers have a genuine choice under the contract about whether you deliver their goods. Such a choice is indicated where:

- your customers are not obliged to use your delivery service; and
- you provide reasonable access, at no extra charge, to customers who choose to make their own arrangements to collect the goods.

A delivery service may be a significant part of a mixed supply even if no separate amount is charged for the delivery.

3. Optional delivery services to personal or phone order shoppers are often provided by suppliers such as supermarkets, furniture and electrical stores. Similarly, manufacturers, importers and wholesalers may supply goods from their premises and offer delivery of the goods as an additional service.[4] These services are treated separately for GST.

Supplies of delivered goods

4. You supply delivered goods where the delivery is integral, ancillary or incidental to the supply of the goods.[5] This will be a composite supply. In these cases, you contract to supply delivered goods only, and not a delivery service in addition to the goods. The delivery is necessary for your customer to enjoy the goods. It is not an end in itself, but merely contributes to the proper performance of the contract to supply the goods. That is, to fulfil the contract for the supply of the goods, the supplier has to deliver them and remains responsible for them until they are delivered. Identifying a separate charge for delivery does not, by itself, mean that the delivery is a significant part of the supply.

5. Many internet and mail order suppliers supply delivered goods, as do some manufacturers, importers and wholesalers.[6] They make an integrated supply of delivered goods that includes the selection, packing and delivery of the customer's order. These aspects of the supply are not optional. While convenient for the customer, the selection, packing and delivery are not considered to be of such significance that they are separately identifiable parts of the supply.[7] In such cases the delivery service is integral, ancillary or incidental to the composite supply of delivered goods.

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[3] GSTR 2001/8, at paragraphs 45 to 54, discusses where parts of a supply are separately recognised because of their significance in the supply.
[4] This may sometimes be referred to as being sold 'ex store'.
[5] GSTR 2001/8, at paragraph 59, sets out some factors that indicate that a part may be integral, ancillary or incidental to a dominant part.
[6] This may sometimes be referred to as being sold 'free into store'.
[7] Where services other than selection, packing and delivery are provided, the facts may indicate that those other services are significant.

Calculating the GST payable on the supply

Supplies of goods and delivery services

6. Where you supply a delivery service that is a separate supply, or a separate part of a mixed supply, the supply of the service will be taxable regardless of whether the service is associated with the supply of taxable or non-taxable goods.[8] Where you do not make a separate charge for this service, but include the consideration for the delivery in the price of the goods, you will need to apportion the consideration for the whole supply to ensure the correct amount of GST is payable on all of the taxable parts, including the delivery.

Supplies of delivered goods

7. Where you supply delivered goods, the character of the goods determines the GST status of the supply. If such a supply includes both taxable and non-taxable goods and it is your practice to charge a separate fee for delivery, you will need to apportion the delivery fee. The GST payable is:

Character of the goods supplied	GST payable
The goods supplied are all taxable.	1/11 of the total consideration, including the delivery fee. No apportionment is required.
The goods supplied are all non-taxable.	Nil.
The supply includes both taxable and non-taxable goods.[9]	1/11 of the price of the taxable goods, plus 1/11 of the portion of the delivery fee that is referable to the taxable goods.[10]

Example 1 - delivered goods, no delivery choice, various charges

8. *Kay's Pharmacy is an Australian internet supplier of prescription medication and general pharmacy lines. Orders are made by internet or fax. Kay's provides both taxable and GST-free goods delivered to any address in Australia. A person over 18 years of age must take delivery of the goods. A GST inclusive 're-delivery fee' of $12 applies if no one is able to accept an order (even if no delivery fee would otherwise have been charged). Kay's delivery prices are:*

Metropolitan area	Regional or country area	Orders over $100
$5.50 for orders under 4kg	$6.60 for orders under 2kg	Nil
At cost for orders over 4kg	At cost for orders over 2kg	Nil

[8] Provided that the requirements of section 9-5 of the *A New Tax System (Goods and Services Tax) Act 1999* are met. Some supplies of transport of goods are GST-free under Division 38. In other cases, a supplier may supply a delivery service for no extra consideration, for example, for an elderly customer. In such cases, the supply of the delivery service will be non-taxable if there is genuinely no consideration. GSTR 2001/8, at paragraph 9, explains what is meant by 'non-taxable' supplies.

[9] GSTR 2001/8, at paragraphs 40 to 69, explains the characteristics of mixed supplies.

[10] GSTR 2001/8, at paragraphs 92 to 111, provides guidelines on how to make a reasonable apportionment.

9. *Mirka orders disposable nappies and cosmetics (both taxable) and GST-free medication. The order is for $180. The delivery service is integral, ancillary or incidental to the supply of the goods. Mirka was not at home when Kay's first attempted to deliver the goods. When Kay's successfully re-delivers the order, Mirka is invoiced for:*

Goods	Price	GST included
Medication	$59.00	Nil (GST-free supply)
Disposable nappies	$66.00	$6.00
Cosmetics	$55.00	$5.00
Delivery	$12.00	$0.73[11]
Total	**$192.00**	**$11.73**

10. *Kay's GST liability on the supply of delivered goods to Mirka is $11.73.*

11. *Lia orders the same goods. She is home when Kay's delivers the goods. She is invoiced for:*

Goods	Price	GST included
Medication	$59.00	Nil (GST-free supply)
Disposable nappies	$66.00	$6.00
Cosmetics	$55.00	$5.00
Total	**$180.00**	**$11.00**

12. *Kay's GST liability on the supply of delivered goods to Lia is $11.00.*

Example 2 - optional delivery, separate charge

13. *Lay hires out medical aids and appliances. They have a showroom and a website. They also issue catalogues to hospitals and medical centres.*

14. *The goods are supplied to customers at the showroom. Alternatively, Lay will deliver at the customer's request. Lay's GST inclusive delivery charges are:*

- *in the metropolitan area a flat fee of $5.50 applies, irrespective of how many aids or appliances are delivered; and*
- *outside the metropolitan area the fee is $15.*

15. *Felix hires a wheelchair and ventilator, both GST-free. Felix lives outside the metropolitan area and he arranges for Lay to deliver the appliances to his home. He is invoiced for:*

Goods	Price	GST included
4 weeks hire wheelchair	$60.00	Nil (GST-free supply)
4 weeks hire ventilator	$50.00	Nil (GST-free supply)
Delivery	$15.00	$1.36
Total	**$125.00**	**$1.36**

[11] 1/11 x $12 x (66 + 55)/180.

16. *Lay is making separate supplies of goods and a delivery service. The goods are GST-free, but the delivery service is taxable. Lay's GST liability on the supplies to Felix is $1.36.*

Example 3 - packing fee, delivery choice, separate charges

17. *May supplies groceries and fresh food to retailers in the Sydney region. Goods can only be ordered by internet or fax. Retailers can choose to have their order:*

- *packed (at a charge of $5, plus GST) for collection at one of May's depots;*
- *packed (at a charge of $5, plus GST) and delivered to any location within 25km of the Sydney GPO (for a delivery fee of $10, plus GST); or*
- *packed (at a charge of $5, plus GST) and delivered to any location between 25km and 75km from the Sydney GPO (for a delivery fee of $10, plus $3 for each additional 5km outside the 25km boundary, plus GST).*

18. *May's marketing promotes the reliability and convenience of having quality goods selected and packed by specially trained staff. This packing service is integral to the goods that May contracts to provide. The delivery service is an optional extra that May does not provide unless requested by the retailer.*

19. *Anwar operates a convenience store 10km from the Sydney GPO. He orders $120 worth of GST-free fruit and vegetables, and $110 worth of taxable groceries to be delivered to his store. He is invoiced for*:

Goods	Price	GST included
Fruit and vegetables	$120.00	Nil (GST-free supply)
Groceries	$110.00	$10.00
Packing	$5.24	$0.24[12]
Delivery	$11.00	$1.00
Total	**$246.24**	**$11.24**

20. *May's packing service is integral, ancillary or incidental to the supply of the goods. The packing charge is apportioned across the taxable and GST-free goods. However, the delivery service is a separately identifiable part of the supply to Anwar and is taxable. May's GST liability on the supply to Anwar is $11.24.*

Commissioner of Taxation
18 September 2002

Previous Draft:
Previously issued in draft form as GSTD 2002/D3

Related Rulings/Determinations:
TR 2006/10; GSTR 2001/8

[12] 10% x $5 x 110/230.

Subject references:

- ancillary
- apportionment
- composite supply
- delivered goods
- delivery
- goods & services tax
- GST free
- incidental
- integral
- mixed supplies
- non-taxable supplies
- separately identifiable
- supply
- taxable supply

Legislative references:

- ANTS(GST)A 1999
- ANTS(GST)A 1999 9-5
- ANTS(GST)A 1999 Div 38
- TAA 1953 Sch 1 Div 358

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