


TD 2000/D9 - Income tax: value of goods taken from stock for private use

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This document has been finalised by TD 2001/25.

Draft Taxation Determination

Income tax: value of goods taken from stock for private use

Preamble

Draft Taxation Determinations (DTDs) present the preliminary, though considered, views of the Australian Taxation Office. DTDs should not be relied on; only final Taxation Determinations represent authoritative statements by the Australian Taxation Office.

Introduction

1. When finalised, this Draft Taxation Determination will update the Schedule to Taxation Ruling IT 2659 for the 1999-2000 income year and should be read with IT 2659.

Background

2. The Australian Taxation Office (ATO) has at irregular intervals issued ‘Goods Own Use’ (GOU) amounts for a range of industries. These amounts were estimates of trading stock taken by taxpayers in named industries for private use. The original industries appear to have been selected from a survey of income tax return forms in the Melbourne and Sydney Offices of the ATO in about 1968. The original amounts were drawn from the cost of living component as part of the Basic Wage Case decided in 1951. The methodology used to update the amounts varied across industries until 1991, when uniform increases based on the Consumer Price Index (CPI) were begun.

Need for ‘Goods Own Use’ amounts

3. Surveys conducted by the ATO of various industries have shown that the majority (over 70%) of taxpayers returning an amount for GOU have used the ATO’s Schedule¹ for the value of goods taken from trading stock for private use. This widespread acceptance of the ATO’s Schedule indicates there is value in maintaining it. However, the ATO recognises that the basis for determining which industries should be included in the Schedule, and what amounts fairly represent usual community expenditure on items stocked by those industries, need to be revised and publicised to taxpayers.

Revised methodology

Selection of industries

4. Many of the industries listed in the current Schedule² lack a clear distinction (for example, ‘baker’ and ‘pastry cook’) or do not fit within modern business practice. It was decided that industries suitable for inclusion on a revised Schedule should:

¹ For the latest Schedule, see Taxation Determination TD 1999/41.

² See TD 1999/41.

- exhibit a transformation process of trading stock items (e.g., baking);
- have as trading stock a range of small items or ingredients, usually of low value;
- not be suited to inventory systems; and
- have a high turnover of items, often for cash.

5. The proposed Schedule of industries is:

| |
|--|
| Bakery |
| Butcher |
| Restaurant/café (licensed) |
| Restaurant/café (unlicensed) |
| Caterer |
| Delicatessen |
| Fruiterer/greengrocer |
| Takeaway food shop |
| Mixed business (incorporating milk bar, general store and convenience store) |

Determination of amounts

6. The revised basis for determining values of goods taken from stock are the latest³ Household Expenditure Survey (HES) results issued by the Australian Bureau of Statistics. The ABS collects, at varying intervals, detailed information about the expenditure, income and household characteristics of approximately 8,400 households resident in private dwellings throughout Australia. Information is collected during personal interviews and from diaries in which survey participants have recorded all personal expenditure over a two week period. Interviews and diary-keeping are spread over the financial year of collection. At the 'fine' level of expenditure, the survey details household expenditure in over 700 categories of items across a range of household composition groups.⁴ It is considered that these survey results provide reasonable and statistically valid estimates as to the community's level of spending on a wide range of items.

7. Using the HES data, we have looked at the fine level expenditure items and considered which items would be present in the trading stock of the proposed Schedule of industries. The stock items were generally limited to the HES 'food and non-alcoholic beverage' broad category, except for Licensed Restaurants/Cafés where 'alcoholic beverage' items have been included,⁵ and Caterer where some 'household equipment' items were included. Thus, to determine an amount for GOU for the Schedule of industries, we used:

- 1993-1994 Household Expenditure Survey figures;
- fine level of expenditure;
- figures for Australia;
- for Couples; and
- CPI adjusted to the March quarter of the 1999-2000 financial year.

8. We calculated the amount for each Adult by using the HES figures for Couples and dividing them in half. The amount for a Child was determined to be half the Adult amount. Amounts have been rounded **down** to the nearest dollar.

³ 1993-1994.

⁴ For example, sole person, couple, couple plus one dependant, etc.

⁵ For Adults, but not for Children.

9. The main assumption in calculating GOU amounts is that if a business has an item in stock then the taxpayer would take the item from stock for own use rather than purchase the item elsewhere. However, taxpayers should regard these GOU amounts as a guide only. Taxpayers may always choose to maintain suitable records⁶ of items taken from trading stock for personal use.

Schedule for the value of goods taken from trading stock

10. Based on the above methodology, the Schedule for the value of goods taken from trading stock for private use in the 1999-2000 income year is:

| Type of business | Amount for Adult / Child over 16 years | Amount for Child 4-16 years |
|---|--|-----------------------------|
| Bakery | 795 | 397 |
| Butcher | 571 | 285 |
| Restaurant/café (licensed) | 2,769 | 1,111 |
| Restaurant/café (unlicensed) | 2,222 | 1,111 |
| Caterer | 2,389 | 1,194 |
| Delicatessen | 2,222 | 1,111 |
| Fruiterer/greengrocer | 473 | 236 |
| Takeaway food shop | 2,121 | 1,060 |
| Mixed business (includes milk bar, general store and convenience store) | 2,695 | 1,347 |

Updating the Schedule

11. We intend to adjust the amounts annually in line with the CPI. We also intend to revise the amounts each time HES results are released.

The Goods and Services Tax

12. The methodology will be slightly revised in the Schedule for the 2000-2001 income year to take account, where appropriate, of the Goods and Services Tax.

Your comments

13. We invite you to comment on this Draft Taxation Determination. We are allowing 4 weeks for comments before we finalise the Determination. If you want your comments considered, please provide them to us within this period.

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⁶ See section 262A of the *Income Tax Assessment Act 1936* and Taxation Ruling TR 96/7.

Commissioner of Taxation

24 May 2000

Previous draft:

Not previously released in draft form

Related Rulings:

IT 2659; TR 96/7; TD 98/17; TD 1999/41

Subject references:

- private use
- record keeping
- trading stock
- value of goods taken from stock

Legislative references:

- ITAA 1936 262A
- ITAA 1997 6-5
- ITAA 1997 8-1
- ITAA 1997 70-10

ATO references:

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