

TD 2001/25 - Income tax: value of goods taken from stock for private use

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⚠ This document has changed over time. This is a consolidated version of the ruling which was published on *17 October 2001*

Taxation Determination

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

Preamble

While this Taxation Determination represents an authoritative statement by the Australian Taxation Office it is not a 'public ruling' for the purposes of Part IVA of the Taxation Administration Act 1953 and is not legally binding on the Commissioner.

Date of Effect

This Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Introduction

1. This Taxation Determination updates the Schedule to Taxation Ruling IT 2659 for the 2001-2002 income year and should be read with IT 2659.

Background

2. The Australian Taxation Office (ATO) has previously 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.

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

Revised methodology

Selection of industries

4. Many of the industries listed in the previous 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:

- 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 revised 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 derived from 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, consideration has been given to the fine level expenditure items and which items would be present in the trading stock of the 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.

8. 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. **The GOU amounts (excluding GST) appear in the schedule at paragraph 9.** 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.

² See TD 1999/41.

³ 1998-1999.

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

⁵ For Adults, but not for Children.

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

Schedule for the value of goods taken from trading stock

9. Based on the above methodology, the Schedule for the value of goods taken from trading stock for private use in the 2001-2002 income year is:

Type of business	Amount (excluding GST) for Adult / Child over 16 years	Amount (excluding GST) for Child 4-16 years
Bakery	850	425
Butcher	600	300
Restaurant/café (licensed)	2800	1125
Restaurant/café (unlicensed)	2250	1125
Caterer	2400	1200
Delicatessen	2250	1125
Fruiterer/greengrocer	500	275
Takeaway food shop	2150	1100
Mixed business (includes milk bar, general store, and convenience store)	2700	1375

10. For the 1999-2000 and 2000-2001 income years, taxpayers may use the amounts in the schedule to Taxation Determination TD 1999/41.

Updating the Schedule

11. It is intended to adjust the values annually to reflect the most recent HES data uplifted for CPI movements and reissue the Schedule at the commencement of each income year.

Commissioner of Taxation

17 October 2001

Previous draft:

Previously released in draft form as TD 2000/D9

Related Rulings/Determinations:

IT 2659; TR 92/1; TR 92/20; TR 97/16; TD 1999/41

Subject references:

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

Legislative references:

- TAA 1953 Part IVAAA
- ITAA 1936 262A

ATO references:

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