

# GST and food

## GETTING STARTED

### What is GST?

The goods and services tax (GST) is a tax of 10% on most goods and services sold or consumed in Australia. If you run a business, you need to know about GST.

When your business is registered for GST you need to:

- include GST in the price of sales to your customers, and
- claim credits for the GST included in the price of purchases for your business.

➤ To find out more about GST, and how to register your business:

- visit our website at [www.ato.gov.au/gst](http://www.ato.gov.au/gst)
- refer to the following brochures, which are available on our website
  - *GST for small business* (NAT 3014) in English
  - *Tax basics for small businesses* (NAT 1908) in English
  - *GST* (NAT 72420) available in other languages
- phone the ATO on **13 28 66**
- talk to your tax adviser.

## GST AND FOOD

Not all food sales involve GST. If you sell food in your business, you need to know which items to charge GST on. Generally, you need to include GST in the price of goods and services you sell or provide. These are called 'taxable sales'.

There are some goods and services which are 'GST-free', meaning you don't have to charge your customer GST and you don't have to pay this GST to the ATO. Most basic food is GST-free.

### Examples of 'GST-free' foods are:

- bread and bread rolls without icing or filling
- cooking ingredients such as flour, sugar and cake mixes
- fats and oils for cooking
- milk, cream, cheese and eggs
- spices and sauces
- fruit juice containing at least 90% by volume of juice
- bottled drinking water
- tea and coffee (unless it's ready to drink)
- baby food and infant formula
- meats for people to eat (except prepared meals or snacks)
- fruit, vegetables, fish and soup
- spreads, such as honey, jam and peanut butter
- breakfast cereals
- rice, cooked or uncooked (but not hot).

⚠ Even though your item may be in the GST-free food list, it may still be taxable under some circumstances. For example, bread rolls are GST-free unless you sell them in a restaurant where your customers will eat them at the restaurant. See 'Where food is sold and consumed affects GST' on page 3 for more information.

**Examples of 'taxable foods' are:**

- bakery products such as cakes, pastries and pies
- biscuits, cones and wafers
- savoury snacks such as potato chips
- chocolates and lollies
- ice cream
- soft drinks and flavoured milk such as chocolate milk
- food platters
- food marketed as prepared meals such as sushi, curry and rice dishes
- any food not for people to eat, such as food for pets
- **all** food and drinks sold in restaurants or for consumption on the premises – see 'Where food is sold and consumed affects GST' on page 3 for more information.

There are some items that are not considered to be food as you cannot eat them yet. These items are taxable and include:

- live animals
- plants and seeds that grow into fruit and vegetables.

- ➔ If you are not sure whether your food is taxable or GST-free you can always check with the ATO:
- visit our website at **[www.ato.gov.au/foodindustry](http://www.ato.gov.au/foodindustry)** then select 'Basic topics', 'Publications' and 'Detailed food list' – this list provides the GST status of more than 500 food items
  - refer to *GST food guide* (NAT 3338) in English, which is available on our website
  - phone us on **13 28 66**
  - talk to your tax adviser.

**GST AND THE FOOD SUPPLY CHAIN**

GST is applied at certain stages in the food supply chain. If you are a GST-registered business, you can claim 'GST credits' for any GST you pay in the price of food items you purchase for your business.

❗ You cannot claim GST credits for food supplied as an 'entertainment expense' if you cannot claim an income tax deduction for it.

**EXAMPLE: When is GST applied in the food supply chain?**

A plant nursery sells lettuce seeds to a farmer. The seeds are taxable as they are plants under cultivation, and people cannot eat them yet. The plant nursery charges GST to the farmer and pays that to the ATO.

The farmer can claim a GST credit for the GST that they paid in the purchase price of the seeds.

The farmer grows the lettuce and sells it to a vegetable wholesaler, without charging GST. The lettuce is GST-free as it is now a food for human consumption.

The vegetable wholesaler sells the lettuce GST-free to a supermarket.

At the supermarket, people buy the lettuce GST-free.

### Where food is sold and consumed affects GST

All food and drinks sold in a restaurant or to be eaten or drunk at the place they are sold are taxable even if they are a GST-free item.

This means, you must charge your customers GST and pay that GST to the ATO if food and drinks are sold at:

- a restaurant or cafe
- a snack bar or stand
- any venue associated with leisure, sport or entertainment such as
  - a sports ground
  - a golf course
  - a gym
  - a racecourse
  - a theatre
  - a museum
  - a gallery
  - a cinema
  - an amusement park.

❗ In some cases charitable institutions, charitable funds, gift deductible entities and government schools (for example, a tuckshop) that sell food for fundraising or something similar do not charge GST.

➔ Go to [www.ato.gov.au/nonprofit](http://www.ato.gov.au/nonprofit) or check with the ATO on **13 28 66** if you're not sure.

### EXAMPLES

#### Anh's bakery

Anh sells bread and plain bread rolls at her bakery. These are without icing or fillings. She sells the bread to her customers with the intent that they will eat it elsewhere.

She doesn't need to charge her customers GST.

#### Iman's restaurant

Iman sells plain bread rolls at his restaurant. These are served in the restaurant and intended to be eaten at the restaurant.

Iman charges GST to his customers and he pays this GST to the ATO.

#### Ali's coffee van

Ali runs a mobile coffee business. He drives his van to various places where there is a festival or an event. He sells hot drinks such as coffee and hot chocolate. He also sells bottled water. The hot drinks are taxable as these are considered 'ready to drink'. The bottled water is also taxable as it is sold to customers with the intention that they will drink it at the event.

Ali charges GST to his customers and he pays this GST to the ATO.

#### Haruka's juice bar

Haruka runs a juice bar at a food court. She sells 100% fruit juice, smoothies and bottled water, all of which are taxable as they are intended to be drunk at the food court.

Haruka charges GST to her customers and pays this GST to the ATO.

## MORE INFORMATION

For more information:

- visit our website at
  - [www.ato.gov.au/gst](http://www.ato.gov.au/gst)
  - [www.ato.gov.au/foodindustry](http://www.ato.gov.au/foodindustry)
  - [www.ato.gov.au/otherlanguages](http://www.ato.gov.au/otherlanguages) for tax and superannuation information in 25 languages. You can also watch or download the video *Your Business and Tax* which explains what you need to know about Australia's business tax system. This is available in six languages including English.
- phone the ATO business tax infoline on **13 28 66** between 8.00am and 6.00pm, Monday to Friday, Eastern Standard Time (EST)
- visit one of our shopfronts
- speak to your tax adviser.

If you are deaf, or have a hearing or speech impairment, phone us through the National Relay Service (NRS) on the numbers listed below:

- TTY users, phone **13 36 77** and ask for the ATO number you need
- Speak and Listen (speech-to-speech relay) users, phone **1300 555 727** and ask for the ATO number you need
- internet relay users, connect to the NRS on [www.relayservice.com.au](http://www.relayservice.com.au) and ask for the ATO number you need.

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- [www.youtube.com/AusTaxOffice](http://www.youtube.com/AusTaxOffice)

## 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 in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake in trying to follow our information in this publication and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest. If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for more recent information on our website at [www.ato.gov.au](http://www.ato.gov.au) or contact us.

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