



GSTA TPP 005 - Goods and services tax: How do I calculate the input tax credit for second-hand goods acquired before 1 July 2000?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *14 June 2005*



Goods and Services Tax Advice

Goods and services tax: How do I calculate the input tax credit for second-hand goods acquired before 1 July 2000?

Preamble

This document is a ruling for the purposes of section 37 of the *Taxation Administration Act 1953*. It illustrates the principles contained in **Goods and Services Tax Determination GSTD 2000/2 on input tax credits for second hand goods acquired before 1 July 2000**. You can rely on the information presented in this document, which provides advice on the operation of the GST system.

Answer

You use the approach described in Division 66 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) to calculate your input tax credits.

Background

You buy second-hand goods before the start of GST on 1 July 2000. You subsequently make a taxable supply of the second-hand goods after 1 July 2000. You are registered for GST.

Explanation

Section 18 of the *A New Tax System (Goods and Services Tax Transition) Act 1999* (Transition Act) allows Division 66 of the GST Act to apply in relation to second-hand goods that are acquired before 1 July 2000. However:

- you must have held the second-hand goods at the start of that day for the purposes of sale or exchange (but not for manufacture) in the ordinary course of business.
- you must not have previously held them for any other purpose.
- the supply of the goods to you must not have been by way of hire; and
- you must subsequently make a taxable supply of the goods

Note: If you claim a special GST credit for sales tax paid on stock under section 16 of the Transition Act, you cannot also claim a credit under section 18 of the Transition Act.

Division 66 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) provides that an acquisition of second-hand goods you make may be a creditable acquisition despite the fact that GST was not payable on the supply of the goods to you.

Subdivision 66-A of the GST Act

Subdivision 66-A of the GST Act outlines the manner in which you calculate and account for an input tax credit relating to an acquisition of second-hand goods in circumstances where:

- you do not divide the goods for re-supply, or
- you divide the goods for re-supply and your division either corresponds to or involves no further divisions than the divisions indicated by the separate consideration you provided for each item (in the event that parts of your acquisition were separately itemised)

For more information on how to calculate and attribute the amount of an input tax credit in accordance with subdivision 66-A of the GST Act, refer to GSTA TPP 007 on calculating input tax credits for second-hand goods not to be divided for re-supply.

Subdivision 66-B of the GST Act – Global accounting method

Subdivision 66-B of the GST Act applies if an acquisition of second-hand goods is divided for re-supply (other than where the division is covered by the second-dot point above under the heading *Subdivision 66-A of the GST Act*)

For more information on how to calculate and account for the amount of an input tax credit in accordance with subdivision 66-B of the GST Act, refer to GSTA TPP 008 on calculating the input tax credit for second-hand goods divided for re-supply.

Note:

If:

- *you are entitled to an input tax credit for an acquisition of second-hand goods due to section 18 of the Transition Act;*
- *the consideration for the acquisition was \$300 or less;*
- *you choose not to apply subdivision 66-B to the acquisition (in the event you could); and*
- *you choose not to attribute the credit to the tax period in which you make the subsequent taxable supply;*

the input tax credit is treated as though it were an input tax credit attributable to any one tax period of your choice.

Other references:

Fact Sheet 'GST transitional arrangements - second hand goods'
Goods and Services Tax Advice 'Goods and Services Tax: input tax credit for second-hand goods acquired before 1 July 2000'
Goods and Services Tax Advice 'Goods and Services Tax: input tax credit for second-hand goods acquired before 1 July 2000 – Addendum'

ATO references

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Application of this GST Advice

This Advice is based on GSTD 2000/2. It explains our view of the law as it applied from 1 July 2000. You can rely on this Advice on and from its date of issue for the purposes of section 37 of the *Taxation Administration Act 1953*. Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

If this Advice conflicts with a previous private ruling that you have obtained, this public ruling prevails. However, if you have relied on a private ruling, you are protected in respect of what you have done up to the date of issue of this public ruling. This means that if you have underpaid an amount of GST, you are not liable for the shortfall prior to the date of issue of this later ruling. Similarly, you are not liable to repay an amount overpaid by the Commissioner as a refund.

Commissioner of Taxation

Date

Related Rulings/Determinations/GST Advice:

GSTR 2000/8
GSTA TTP 006
GSTA TTP 007
GSTA TTP 008

Subject references:

second-hand goods
input tax credits
creditable acquisitions
transition

Legislative references:

ANTS(GST)A 1999 Div 66
ANTS(GST)A 1999 Subdiv 66-A
ANTS(GST)A 1999 Subdiv 66-B
ANTS(GSTT)A 1999 18
TAA 1953 37