



GSTA TPP 074 - Goods and services tax: Can an entity that acquires a car for \$80,000 and uses it purely for business purposes claim input tax credits for the cost of a tow bar fitted to the car six months later?

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 This document has changed over time. This is a consolidated version of the ruling which was published on 6 July 2005



Goods and Services Tax Advice

Goods and services tax: Can an entity that acquires a car for \$80,000 and uses it purely for business purposes claim input tax credits for the cost of a tow bar fitted to the car six months later?

Preamble

This document is a ruling for the purposes of section 37 of the Taxation Administration Act 1953. You can rely on the information presented in this document, which provides advice on the operation of the GST system.

Answer

Yes, the entity is entitled to claim full GST input tax credits.

Background

An entity acquires a car in November 2003 for \$80,000. The car is used 100% for business purposes. In April 2004 the entity buys and fits a tow bar to the car at a cost of \$2,200.

Explanation

The taxpayer is entitled to input tax credits because the acquisition of the tow bar is not part of the acquisition of the car and so section 69-10 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) does not affect the claim for input tax credits.

When an entity acquires a car with a tow bar attached there is a composite supply, as the tow bar is ancillary or incidental to the supply of the car. The supply is treated as a single supply of a car and, where the car is a luxury car, the GST input tax credits available will be restricted to 1/11th of the car limit in accordance with section 69-10 of the GST Act.

Where a tow bar is supplied in its own right, separate to the supply of a car, there is a supply and acquisition of a tow bar. The GST input tax credits available are not restricted in accordance with section 69-10 of the GST Act as the acquisition is not one of a car.

The entity is entitled to claim full GST input tax credits in accordance with the general rules contained in Division 11 of the GST Act for the acquisition of a tow bar.

Application of this GST Advice

This Advice 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

Subject references:

input tax credits
tow bar
car

Legislative references:

ANTS(GST)A 1999 69-10
ANTS(GST)A 1999 Div 11
TAA 1953 37

ATO references

NO:	05/3095
ISSN:	1833-0053