



TD 2000/18 - Income tax: what are the consequences of using a GST Direct Assistance Certificate to pay for plant or deductible expenditure?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *19 April 2000*



Taxation Determination

Income tax: what are the consequences of using a GST Direct Assistance Certificate to pay for plant or deductible expenditure?

Preamble

*The number, subject heading, date of effect and paragraphs 2 and 4 of this Taxation Determination are a 'public ruling' for the purposes of Part IVAAA of the **Taxation Administration Act 1953** and are legally binding on the Commissioner. The remainder of the Determination is administratively binding on the Commissioner. Taxation Rulings TR 92/1 and TR 97/16 together explain how a Determination is legally or administratively binding.*

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).

1. GST Direct Assistance Certificates are redeemable certificates with a face value of \$200 that are being sent to every small and medium business and community sector organisation to help them adjust to the GST when they register for the GST before 31 May 2000. The certificates may be used to purchase GST-related products and services such as computer hardware, accounting software, financial and accounting services, legal advice, training services, bookkeeping services and integrated packages.
2. If a taxpayer incurs expenditure that is deductible under section 8-1 of the *Income Tax Assessment Act 1997* (ITAA 1997) and uses the certificate to meet the whole or part of the expenditure, the taxpayer is entitled to a deduction for the whole of the expenditure. The amount of the deduction is not reduced by the value of the certificate, because the taxpayer has incurred the expenditure and is merely using the certificate to pay the whole or part of the amount due.
3. A taxpayer who is carrying on a business that has a pre-GST annual turnover of not more than \$10 million is entitled to an immediate deduction for the cost of plant or software acquired or upgraded during the period from 1 July 1999 to 30 June 2000 to meet their obligations or exercise their rights under the GST law (see section 42-168 ITAA 1997 and

section 25-80 ITAA 1997). To qualify for the deduction the taxpayer must be registered for the GST immediately before 1 July 2000.

4. If a taxpayer uses the certificate to pay for plant or software that is acquired or upgraded to meet their GST obligations, the taxpayer will be entitled to a deduction for the full cost of acquiring or upgrading the plant or software. The amount of the deduction is not reduced by the value of the certificate.

Example 1

5. *Marea owns a restaurant which has an annual turnover of \$250,000. Marea registered for the GST on 15 March 2000 and received a direct assistance certificate. In May, Marea obtained advice from her accountant on the effect the GST will have on her contracts with suppliers and completing a business activity statement. The accountant charged Marea \$400 for the advice and she paid the account with a cheque for \$200 and the certificate. Marea is entitled to a deduction of \$400.*

Example 2

6. *Mossman Pty Ltd operates a transport business which has an annual turnover of around \$7 million. The company registered for the GST on 7 April 2000 and received a direct assistance certificate. Mossman Pty Ltd buys a computer for \$4,000 on 12 May 2000 and pays for it with a cheque for \$3,800 and the certificate. The computer will be used by the company for the purpose of meeting its obligations under the GST law. The cost of the computer to the company is \$4,000 and depreciation will be calculated on that amount. As the rate of depreciation on the plant is 100%, Mossman Pty Ltd is entitled to a deduction of \$4,000.*

Commissioner of Taxation 19 April 2000

Previous draft:

Not previously issued in draft form

Related Rulings/Determinations:

Subject references:

- GST Direct Assistance Certificate
- pre GST annual turnover

Legislative references:

- ITAA 1997 8-1;
- ITAA 1997 25-80;
- ITAA 1997 42-168;

ATO references:

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