


GSTA TPP 006 - Goods and services tax: How do I calculate the input tax credit for second-hand goods acquired on or after 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 *31 October 2012*



Goods and Services Tax Advice

Goods and services tax: how do I calculate the input tax credit for second-hand goods acquired on or after 1 July 2000?

Preamble

*This document was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the **Taxation Administration Act 1953** and former section 105-60 of Schedule 1 to the **Taxation Administration Act 1953**.*

*From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the **Taxation Administration Act 1953**.*

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

[Note: *This is a consolidated version of this document. Refer to the Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.*]

Answer

You may 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 after the start of GST on 1 July 2000. The supply of the goods to you is not a taxable supply nor is it GST-free. You subsequently make a taxable supply of the second-hand goods or, in the event section 66-45 of the GST Act applies, what would have been a taxable supply had this section not applied. You are registered for GST and were registered at the time you acquired the goods.

Explanation

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.

Division 66 of the GST Act will apply to an acquisition of second-hand goods you make if:

- you acquired the goods for the purposes of sale or exchange (but not for manufacture).
- you were registered or required to be registered at the time you acquired the goods (for goods acquired on or after 1 July 2000), and
- you provided, or were liable to provide, consideration for the goods

However, Division 66 of the GST Act will not apply if:

- the supply of the goods to you was a taxable supply, or was GST-free; or
- you imported the goods; or
- the supply of the goods to you was a supply by way of hire; or
- you make a supply of the goods that is not a taxable supply.

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 the input tax credit 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 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.

Application of this GST Advice

This Advice applies [to tax periods commencing] both before and after its date of issue. However, this Advice will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Advice (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

Related Rulings/Determinations/GST Advice:

TR 2006/10; GSTR 2005/3; GSTA TPP 005; GSTA TPP 007; GSTA TPP 008

Subject references:

second-hand goods
input tax credits

Legislative references:

ANTS(GST)A 1999 Div 29
ANTS(GST)A 1999 Div 66
ANTS(GST)A 1999 Subdiv 66-A
ANTS(GST)A 1999 Subdiv 66-B
ANTS(GST)A 1999 66-45
TAA 1953 Sch 1 Div 358

ATO references

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