



GSTA TPP 007 - Goods and services tax: How do I calculate the input tax credit for second-hand goods not to be divided for re-supply?

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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 not to be divided for re-supply?

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

The manner in which you calculate and account for the input tax credit will depend upon:

- the price of the acquisition, and
- whether the acquisition is listed in *A New Tax System (Goods and Services Tax) Rules for Applying Subdivision 66-B Determination (No. 1) 2000*. (the Commissioner's Determination)

Background

You buy second-hand goods after 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. You are registered for GST.

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.

The manner in which you calculate and account for an input tax credit relating to an acquisition of second-hand goods that is not divided for re-supply can be summarised as follows:

For an acquisition costing more than \$1000

The amount of the input tax credit is the lesser of 1/11 of the consideration that you provide (or are liable to provide) or the amount of GST payable on the subsequent taxable supply of the second-hand goods. At the earliest, the input tax credit is

attributable to the tax period, in which you make a *subsequent* taxable supply of the second-hand goods, *not* when you acquire them as under the general attribution rules.

*For an acquisition costing between \$301 and \$1000 that is **not** listed in clause 6 of the Commissioner's Determination*

The amount of the input tax credit is worked out in accordance with the method outlined above under the heading "*For an acquisition costing more than \$1000*"

For an acquisition costing between \$301 and \$1000 that is listed in clause 6 of the Commissioner's Determination

In this case, you may choose between:

- The global accounting method (outlined in GSTA TPP 008 *Goods and Services Tax Advice: 'Goods and services tax: How do I calculate the input tax credit for second-hand goods divided for re-supply?'*), or
- the method outlined above under the heading "*For an acquisition costing more than \$1000*"

*For an acquisition costing \$300 or less that is **not** listed in clause 6 of the Commissioner's Determination*

The amount of the input tax credits is equal to 1/11 of the consideration that you provide, or are liable to provide. The input tax credit is attributed according to the basic rules contained in Division 29 of the GST Act. However, if you so choose, the input tax credit is instead attributable to:

- the earliest tax period in which you receive any consideration for your subsequent taxable supply or issue an invoice relating to that supply (if you account for GST on a non-cash basis).
- the tax period in which consideration is received for your subsequent taxable supply, to the extent the consideration is received in that tax period (if you account for GST on a cash basis)

For an acquisition costing \$300 or less that is listed in clause 6 of the Commissioner's Determination

In this case, you may choose between:

- The global accounting method (outlined in GSTA TPP 008), or
- the method outlined above under the heading "*For an acquisition costing \$300 or less that is **not** listed in clause 6 of the Commissioner's Determination*"

Note: An input tax credit will not be attributable to a tax period unless you possess the appropriate documentation. Whilst a tax invoice is not required, you must keep a record containing:

- *the name and address of the entity that supplied the goods to you,*
- *a description of the goods (including their quantity),*
- *the date you acquired the goods, and*
- *the amount of consideration you provided, or were liable to provide, for the goods.*

TAA 1953 37

A New Tax System (Goods and Services Tax) Rules for Applying Subdivision 66-B Determination (No. 1) 2000

ATO references

NO:	05/3095
ISSN:	1833-0053

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 2004/D4
GSTA TTP 005
GSTA TTP 006
GSTA TTP 008

Subject references:

second-hand goods
input tax credits

Legislative references:

ANTS(GST)A 1999 Division 66
ANTS(GST)A 1999 Subdivision 66-B
ANTS(GST)A 1999 Section 66-70
ANTS(GST)A 1999 Div 29