


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?

 This cover sheet is provided for information only. It does not form part of *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?*

 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 not to be divided for re-supply?

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

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.*

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).

Commissioner of Taxation

14 June 2005

Related Rulings/Determinations/GST Advice:

TR 2006/10; GSTR 2005/3; GSTA TPP 005; GSTA TPP 006; GSTA TPP 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
TAA 1953 Sch 1 Div 358
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