



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 *31 October 2012*



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 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

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 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
6 July 2005

Related Rulings/Determinations/GST Advice:
TR 2006/10

Subject references:
input tax credits

tow bar
car

Legislative references:

ANTS(GST)A 1999 69-10
ANTS(GST)A 1999 Div 11
TAA 1953 Sch 1 Div 358

ATO references

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