GSTB 2006/1 - Goods and services tax: how to claim input tax credits for car expenses

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Goods and Services Tax Bulletin

Goods and services tax: how to claim input tax credits for car expenses

Preamble

This document is a public ruling for the purposes of section 105-60 of Schedule 1 to the ***Taxation Administration Act 1953****. You can rely on the information presented in this document which provides advice on the operation of the GST system.*

About this Bulletin

1. If you are registered, or required to be registered for GST, you are entitled to an input tax credit if you incur a car expense for a creditable purpose. You incur a car expense for a creditable purpose if you use your car in carrying on your enterprise. However, the expense is not solely for a creditable purpose if you use your car for private or domestic purposes or you use it in relation to making input taxed supplies such as residential accommodation. Where this is the case, you need to determine the extent to which you use you car for a creditable purpose, that is, you need to determine your extent of creditable purpose for car expenses.

2. The GST law does not contain specific rules for calculating the extent of creditable purpose. Rather, it relies upon using the basic rules established in the law.

3. Goods and Services Tax Ruling GSTR 2006/4 discusses how you may determine the extent of creditable purpose for claiming input tax credits and making adjustments. In the Ruling, the Commissioner states that you may use any fair and reasonable method to establish your extent of creditable purpose. Your extent of creditable purpose is applied to your full input tax credit for a car expense to obtain the amount of input tax credit you can claim. This Bulletin expands on the principles outlined in the Ruling and explains how you can claim an input tax credit for a car expense. In particular, the Bulletin provides simple methods for calculating your extent of creditable purpose where you use certain methods for income tax purposes.

4. This Bulletin does not consider the income tax consequences of claiming input tax credits for GST.

Annual apportionment election

5. If you have made an annual apportionment election ('election') and if it applies to your car expense you do not need to determine the extent to which you use your car for a creditable purpose, as opposed to private purposes, when claiming your input tax credit for the car expense. Under this election you may claim an input tax credit for the amount of GST included in your car expenses even though you may use the car for both private and business purposes. You cannot, however, claim an input tax credit for a car expense under this election to the extent your use of the car relates to making input taxed supplies.

6. After the end of your income year you will need to make an increasing adjustment to account for the private portion of your car expenses. The amount of your increasing adjustment is equal to the amount of the input tax credit you have received (or will receive) for your car expense under the election, less the amount of the input tax credit you would have received if you had not made the election, that is, you must work out the extent to which the car expense is for a creditable purpose. As this Bulletin provides methods for working out the extent to which you use your car for a creditable purpose it will assist you in working out the amount of input tax credit you would have received for the car expense had you not made the election.

Note: The election does not apply to a car expense if:

- you use the car solely for private purposes;
- you use the car solely for making input taxed supplies;
- you use the car solely for private purposes and making input taxed supplies;
- it is a reduced credit acquisition. (A reduced credit acquisition is an acquisition that you make that relates to making financial supplies for which you can claim a reduced input tax credit); or
- you are not required, or not liable, to provide consideration for the car expense.

For further information on the annual apportionment election you should refer to the Fact Sheet *GST and annual private apportionment*. This Fact Sheet explains who is eligible to make an election and how eligible taxpayers account for the private portion of their business purchases after the end of their income year rather than having to work it out when claiming the input tax credit.

The income tax methods

7. The income tax law contains specific rules for individuals and certain partnerships to follow in calculating their income tax deduction for car expenses. The four methods contained in Division 28 of the *Income Tax Assessment Act 1997* are:

- cents per kilometre;
- 12% of original value;
- one-third of actual expenses; and
- log book.

Information on these methods is contained in TaxPack and other relevant publications.

8. The effect of differences between rules for income tax and GST is that the amount of input tax credit allowable cannot be obtained directly from the car expense claim calculated using the four income tax methods (that is, you cannot just claim one eleventh of your income tax claim). However, if you are using one of the above car expense methods for income tax purposes, then you may wish to use the same information, where appropriate, to determine your extent of creditable purpose for GST. If you follow the rules outlined in this Bulletin, the Commissioner will accept that you have correctly calculated your entitlement to input tax credits on your car expenses.

9. You can use a different method from the one you use for income tax, provided you meet the requirements of the method you choose.

10. While this Bulletin focuses on the income tax methods, the principles established can be used to calculate the extent of creditable use of any vehicle, including those types of vehicles, such as utilities, exempted from the income tax methods.

Determining the extent of creditable purpose for GST

11. You have to determine the extent to which you use, or plan to use, your car for a creditable purpose before you can calculate the amount of input tax credit you are entitled to claim for your car expenses. You can use any method to determine your extent of creditable purpose, provided it is apt to give a fair and reasonable representation of the use, or planned use, of your car.

12. In most cases, the business use of your car for income tax purposes will be the same as its use for a creditable purpose. In these cases you can use your business use percentage as your extent of creditable purpose.

13. However, your business use will not be the same as your use for a creditable purpose where some of your travel:

- is for the activities that you do in connection with earning certain PAYG withholding payments (these activities are not part of your enterprise for GST purposes); or
- relates to making input taxed supplies such as residential accommodation.

14. The relevant PAYG withholding payments include salary and wages, remuneration as a company director, and payments made under a labour hire arrangement.

Example 1

15. *Ian is a lecturer in management at the university and also carries on a consulting business. He uses his car both in his duties as a university employee and in his consulting business. The travel he undertakes in carrying on his consultancy business is for a creditable purpose, while the travel he undertakes as an employee of the university is not for a creditable purpose.*

16. Where you use your car for these other purposes, you will have to adjust your extent of creditable purpose to take account of these non-creditable uses.

17. In this Bulletin, 'business kilometres' and 'business use' refer to the kilometres travelled in the course of producing your assessable income. Therefore, if you use your car in your employment or you use it in relation to making input taxed supplies, your business use or business kilometres will have to be adjusted in order to determine your extent of creditable purpose.

18. If you are an employer who supplies a car to an employee, the private use of the car by the employee will not affect the extent to which you use the car for a creditable purpose. In allowing an employee the benefit of using the car, you are still using the car for the purposes of your enterprise. It is the use you make of the car that determines the extent of creditable purpose. Where you allow an employee to use a car for his or her private purposes, you will need to consider the effect of the fringe benefits tax law.

Annual apportionment election

19. If you have made this election you will only need to determine the extent to which you used the car for a creditable purpose after the end of your income year, usually when you are preparing your income tax return. This enables you to work out your increasing adjustment for the private use component of your car expenses. However, if your use of the car relates partly to making input taxed supplies you need to determine the extent of that use so that you can calculate the amount of input tax credits you are entitled to claim for your car expenses under this election. You cannot claim an input tax credit under this election to the extent your use of the car relates to making input taxed supplies.

Example 2

20. *Jan carries on an enterprise. Jan uses her car in the enterprise and determines that 15% of her use of the car relates to making input taxed supplies; the remainder of her use of the car (that is, 85%) is either private use, or business use for a creditable purpose. Jan has made an annual apportionment election. Under this election Jan is entitled to claim, in her Business Activity Statement (BAS) for the relevant tax period, 85% of the input tax credits that relate to her car expenses. Jan cannot claim input tax credits to the extent her use of the car relates to making input taxed supplies (that is, 15%).*

21. *After the end of the income year Jan will need to make an increasing adjustment to account for the private portion of the car expenses. Jan's increasing adjustment is equal to the difference between the input tax credit she received (or will receive) under this election and what Jan would have received if she had not made the election. Jan may use any of the methods in this Bulletin to determine the extent to which she used the car for a creditable purpose, (provided the method gives a fair and reasonable representation), in working out the input tax credits she would have received for her car expenses had she not made the election.*

Formula method

22. If you use the cents per kilometre method for income tax, you are not required to calculate an extent of business use. Therefore, you need a method to work out your extent of creditable purpose. You can do this using the following formula:

$$\frac{\text{reasonable estimate of business kilometres per tax period}}{\text{reasonable estimate of total kilometres per tax period}}$$

where the estimate of business kilometres is the same as that used for income tax purposes, excluding any travel in respect of employment or making input taxed supplies. Business and total kilometres can be estimated from odometer readings, service records or any other reasonable basis.

Example 3

23. *Abigail has a hairdressing salon and uses her car to purchase occasional supplies from her wholesale supplier and to do the weekly banking. Her diary records show that she has used her car for these business purposes for 900km during the quarter. Abigail had her car serviced on 1 May and notices that the previous service was four months previous. During that time, she travelled 8,000 km so her estimated total annual usage is 24,000km (that is, 12 months ÷ 4 months × 8,000km) and her estimated quarterly usage is 6,000km (that is, 24,000km ÷ 4).*

Since all her business use is for a creditable purpose, the extent of creditable purpose is:

$$\frac{900}{6{,}000} \text{ or } 15\%$$

24. You do not have to be using the cents per kilometre method for income tax to use this formula for GST.

25. When you use the formula, your extent of creditable purpose may change from one period to the next. For instance, in Example 3 above, if during the next tax period Abigail travelled 1,500 business kilometres and her estimated total quarterly usage is still 6,000 km, her extent of creditable purpose would be 25% ($^{1,500}/_{6,000}$). Where your extent of creditable purpose changes, you may be required to make adjustments in respect of expenses over $1,100 (including GST) (see 'Making adjustments for changes in the extent of creditable purpose' at paragraph 52 below).

26. For income tax purposes, the cents per kilometre method is limited to the first 5,000 business kilometres in a tax year. This limitation will not apply for GST purposes, provided your records are sufficient to show that the extent of creditable purpose you use is a fair and reasonable approximation of the actual use of your car.

Set rate method

27. This method does not have a statutory basis. It has been developed having regard to compliance costs and accepts what is likely to be reasonable at particular levels of kilometres travelled.

28. If a reasonable estimate of the kilometres you travel for a creditable purpose for a year does not exceed 5,000, you can use the following set rates. The rate you use depends on the number of kilometres:

Estimated kilometres travelled for a creditable purpose for a year	Assumed extent of creditable purpose
0 – 1,250	5%
1,251 – 2,500	10%
2,501 – 3,750	15%
3,751 – 5,000	20%

29. For example, if your estimated annual kilometres for a creditable purpose is 2,600, the Commissioner will accept 15% as a reasonable estimate of your extent of creditable purpose for car expenses.

The one third creditable purpose method

30. For income tax purposes you may be able to use the 12% of original value or one third of total expenses methods if you travel over 5,000 business kilometres. By its very nature, the one third method assumes a business use of $33^1/_3$%. For recoupment of depreciation purposes, the 12% method also assumes a business use of $33^1/_3$%.

31. Similarly, the Commissioner will accept that your extent of creditable purpose is $33^1/_3$% where you travel, or are likely to travel, more than 5,000 kilometres in the year for a creditable purpose. Like income tax, you have to show how you worked out your business kilometres.

Example 4 – business use is wholly creditable

32. *Edward imports a range of catering products for use in restaurants and is registered for GST. Most of his customers are in the Brisbane CBD area but, once a month, he visits customers in Toowoomba and Hervey Bay. Edward does not keep a log book. However, he has noted that each trip is just over 600km in total. Since he does this trip 12 times a year, his total business travel exceeds 5,000 km. Edward can assume an extent of creditable purpose of $33^1/_3$%.*

33. Where your business use includes travel for both creditable and non-creditable purposes, you may use an extent of creditable purpose of $33^1/_3$%, provided your creditable use is over 5,000 km.

Example 5 – business use not wholly creditable

34. *Ian, from Example 1, estimates he will travel 8,000 business kilometres in the year, of which 6,000 km will be in respect of his consultancy business. As Ian expects to travel over 5,000 kilometres for a creditable purpose, he can use an extent of creditable purpose of $33^1/_3$%.*

35. If your use for a creditable purpose alone is not over 5,000 km, you will have to use another method such as the formula method or set rate method to calculate your extent of creditable purpose. This is because the $33^1/_3$% rate is based on a formula that assumes your estimated travel for creditable purposes will exceed 5,000 kilometres in the year.

Example 6 – business use not wholly creditable

36. *Megan conducts an interior design business and is registered for GST. She is also employed part-time by a local paint manufacturer, providing advice on colour schemes for new homes. Megan uses her car in both her business and employment. She is able to show she uses her car for in excess of 5,000 business kilometres each year, but her use in respect of her interior design business does not exceed 5,000 km.*

37. *As she travels over 5,000 business kilometres, Megan would be able to use the one third of costs method or 12% of original value for claiming car expenses for income tax. As her total kilometres for a creditable purpose does not exceed 5,000, she cannot use the one third creditable purpose method. She will need to use another method, for example the formula method or the set rate method.*

The 'log book' method

38. If you maintain a log book and all of the business use of your car is for a creditable purpose, the Commissioner will accept that the percentage of business use obtained for income tax can also be used as the extent of creditable purpose. If your business use is not entirely for a creditable purpose, for instance, your business use includes travel for your employment or travel in respect of input taxed supplies, then you have to reduce your extent of creditable purpose accordingly.

39. For income tax purposes, your log book is valid for five years. Similarly, the Commissioner accepts that this method establishes the extent of creditable purpose for 5 years, provided you are not required to keep a new log book or your portion of non-creditable use does not change.

Example 7

40. *Charlotte runs her own business as a horticulturalist. She maintains a log book for 12 weeks in the 2002-3 year that shows 4,800km of the 8,000 total kilometres travelled during that 12 week period were for business use. For income tax purposes, Charlotte's business use percentage is 60% (that is, 4,800 ÷ 8,000). Charlotte does not make input taxed supplies, so her extent of creditable purpose will also be 60%.*

First tax period of a new business

41. When you start a new business and purchase a car for the business, you will need to make a reasonable estimate of the extent to which you plan to use the car for a creditable purpose so that you can claim an input tax credit for the acquisition of the car.

42. If you have chosen a method for your car expenses for income tax, this may help you to determine your extent of creditable purpose. For instance, if you intend to use the 'one third of actual expenses' or the '12% of original cost' method and you plan to travel over 5,000 kilometres for creditable purposes, you may use an extent of creditable purpose of $33^1/_3$%. If you intend to use the cents per kilometre method, you could use either the formula method or the set rate method. Where you choose the set rate method you will have to make a reasonable estimate of your planned use for a creditable purpose. Where you choose the formula method you will have to make reasonable estimates of your planned use for a creditable purpose and your total use.

43. Alternatively, you may base your claim for initial input tax credit on your estimate of the actual business use during your first tax period. For example, based on your estimate of total actual travel during that period, you could use the formula method or set rate method to calculate your extent of creditable purpose for your initial input tax credits.

44. If the actual use of your car in the first tax period is insufficient to make an estimate, you may use some other reasonable basis to estimate your extent of creditable purpose. (See Goods and Services Tax Ruling GSTR 2006/4 for guidance.)

Annual apportionment election

45. If you have made this election you will only need to determine the extent to which you used the car for a creditable purpose after the end of the income year, usually when you are preparing your income tax return. This enables you to work out your increasing adjustment to account for the private use of your car. See Example 12 below. However, if your use of the car relates partly to making input taxed supplies you need to determine the extent of that use so that you can calculate the amount of the input tax credit you are entitled to claim for your car under this election. You cannot claim an input tax credit under this election to the extent your use of the car relates to making input taxed supplies.

Calculating the amount of input tax credit you can claim

46. Your claim for an input tax credit is limited to the extent that your purchase is used for a creditable purpose (unless you have made an annual apportionment election). The amount of the input tax credit is calculated as follows:

Full input tax credit	×	Extent of creditable purpose	×	Extent of consideration

where the *full input tax credit* is the amount of input tax credit if the acquisition had been solely for a creditable purpose, and the *extent of consideration* is the percentage of the consideration that you have either paid or are liable to pay. In most cases, the extent of consideration will be 100%. Where you are claiming input tax credits for an importation, the extent of consideration is not relevant.

Example 8

47. *Stephen owns a bookbinding business and only occasionally uses his car for business. He has kept a note of the business use which, for the current quarter, was 750km. Since Stephen purchased the car he has travelled an average 24,000km per year or 6,000km per quarter. Using the formula method, Stephen can determine his extent of creditable purpose as follows:*

$$\frac{750km}{6{,}000km} = 12.5\%$$

48. *In this tax period, Stephen has paid his car insurance of $550. He has retained his insurance renewal notice, which is also a tax invoice, and has also retained a dozen petrol receipts, all under $55, to a total of $330. Stephen has not made an annual apportionment election.*

49. *The amount of GST included in his acquisitions is $50 for the insurance and $30 for the petrol. Therefore, the full input tax credit is $80.*

50. *Stephen can calculate his input tax credit claim as follows:*

$80 × 12.5% × 100% = $10.00

Example 9

51. *Following on from Example 8, assume that Stephen had made an annual apportionment election. Stephen is entitled to claim an input tax credit of $80 (instead of $10) in his BAS for the relevant tax period. After the end of his income year Stephen makes an increasing adjustment to account for the private portion of the car expenses. The amount of the increasing adjustment for these expenses is $70. That is, $80 (the amount Stephen claimed under this election) less $10 (the amount Stephen would have been entitled to as an input tax credit if he had not made the election). Stephen needs to include the $70 increasing adjustment in his BAS that covers the last day on which his income tax return is due or he may choose to make the adjustment in an earlier BAS.*

Making adjustments for changes in the extent of creditable purpose

52. Where there is a difference between planned use and actual use, or where the actual use changes from one year to another, there will be a change in the extent of creditable purpose. This may mean that you have to make an adjustment to correct the amount of input tax credit that has been claimed in a previous period. Goods and Services Tax Ruling GSTR 2000/24 (Goods and services tax: Division 129 – making adjustments for changes in extent of creditable purpose) explains when an adjustment is necessary and how to work out the adjustment.

53. Adjustments are generally not necessary where the price of each expense is $1,100 or less (including GST). This means that, for most practical purposes, no adjustments will be required for car running expenses such as fuel, servicing, and insurance.

54. Usually, it is only where you have claimed an input tax credit in relation to the purchase of a car that the issue of adjustments arises.

55. If you use an assumed extent of creditable purpose (that is, under either the set rate method or one third method), and continue to use the same percentage, then your extent of creditable purpose will not change. Therefore, you will not have to make any adjustments. However, if some of your business use is for a non-creditable purpose, and the proportion of your non-creditable use changes, you may have to make an adjustment.

Example 10

56. *Ashley runs a home hair dressing service. He estimates that his business kilometres are over 5,000 per year, and he has elected to use an assumed extent of creditable purpose of $33^1/_3$%. Provided he continues to travel over 5,000 business kilometres and use an extent of creditable purpose of $33^1/_3$%, he will not have to make adjustments.*

57. Similarly, if you use the 'log book' method you will only be required to make an adjustment if there is a substantial change in your percentage of business use or your non-creditable business use changes.

58. If you use the formula method you may have to make an adjustment if your extent of creditable purpose changes. At the end of each adjustment period, you will have to calculate your actual use of the car for creditable purposes. This can be done by calculating your extent of creditable purpose over the period you have used the car.

Example 11

59. *Duncan runs a small hotel in his country town. On 15 March 2005, Duncan purchased a new car for $33,000. At that time he estimated his business use was 20%, so he claimed an input tax credit of $600 (that is, 3,000 × 20%) in his BAS for the March 2005 quarter (Duncan had not made an annual apportionment election).*

60. *Up to 30 June 2006, Duncan's estimated business use for the six quarters has been, 280 km, 870 km, 750 km, 1,200 km, 1,100 km and 1,225 km, and his estimated total kilometres has been 1,400 km, 3,480 km, 3,000 km, 3,000 km, 3,300 km and 3,300 km respectively. Therefore, his extent of creditable purpose percentages for the quarters have been:*

March 2005	$^{280}/_{1,400}$ =	*20%*	*June 2005*	$^{870}/_{3,480}$ =	*25%*
Sept 2005	$^{750}/_{3,000}$ =	*25%*	*Dec 2005*	$^{1,200}/_{3,000}$ =	*40%*
March 2006	$^{1,100}/_{3,300}$ =	*33%*	*June 2006*	$^{1,225}/_{3,300}$ =	*37%*

At the end of the June 2006 quarter, Duncan can calculate his actual use for creditable purposes as follows:

$$\frac{\textit{Sum of quarterly percentages of creditable purposes}}{\textit{Number of quarterly periods}}$$

or,

$$\frac{20 + 25 + 25 + 40 + 33 + 37}{6} = \frac{180}{6} = 30\%$$

As the actual use (30%) is different from the planned use (20%) on which Duncan based his initial claim for input tax credit for the purchase of the car, Duncan is entitled to a decreasing adjustment of $300 [that is, (30% - 20%) × $3,000] in respect of the GST paid on purchase of the car. He will make the adjustment in his BAS for the June 2006 quarter.

Annual apportionment election

61. If the election applied to a car that you purchased and you use the car for private as well as business purposes, you are required to make an increasing adjustment after the end of your income year to account for the private use of the car. After making the increasing adjustment you may later need to make further adjustments to account for changes in use if:

- the extent to which the car was actually used for a creditable purpose differs from the extent to which the car was intended to be used for a creditable purpose; and
- the car had a GST-exclusive value of more than $1,000.

Example 12

62. *Following on from Example 11, assume that Duncan had made an annual apportionment election and his use of the car is partly for a creditable purpose and partly for private purposes (that is, Duncan's use of the car does not relate to making input taxed supplies). Duncan is entitled, under this election, to claim an input tax credit of $3,000 in his BAS for the March 2005 quarter. After the end of his 2004-05 income year Duncan is required to make an increasing adjustment to account for his private use of the car. Duncan's business use of the car for the two quarters, March 2005 and June 2005, is 20% and 25% respectively. Therefore, for these two periods Duncan's actual use of the car for business purposes is 22.5% (that is, (20% + 25%)/2) and Duncan's actual entitlement to an input tax credit is $675 (that is, $3,000 × 22.5%). Duncan's increasing adjustment for the car (under Division 131* of the *A New Tax System (Goods and Services Tax) Act 1999 (the GST Act)) is therefore $2,325 which is calculated as follows:*

Input tax credit Duncan claimed under the election	*$3,000*
Less: Input tax credit to which Duncan is entitled	*$ 675 ($3,000 × 22.5%)*
Duncan's increasing adjustment under Division 131	*$2,325 ($3,000 × 77.5%)*

63. *Duncan needs to include the $2,325 increasing adjustment in his BAS that covers the last day on which his income tax return for the 2004-05 income year is due or he may choose to make the adjustment in an earlier BAS.*

64. *Duncan may also be required (under Division 129 of the GST Act) to make an adjustment if there is a change in the extent to which the car is used for a creditable purpose. The first adjustment for a change in the extent of creditable purpose arises in the BAS for the June 2006 quarter. (This is the first tax period that ends on 30 June and starts at least 12 months after the end of the tax period to which the input tax credit for the acquisition is attributable.) As worked out under Example 11 above, Duncan's actual use of the car for a creditable purpose for the adjustment period ending 30 June 2006 is 30%. Duncan's decreasing adjustment (under Division 129) is therefore calculated as follows:*

Input tax credit Duncan is entitled to based on actual use	*$900 ($3,000 × 30%)*
Less: Input tax credit Duncan has received taking into account the earlier increasing adjustment under Division 131	*$675 ($3,000 × 22.5%)*
Duncan's decreasing adjustment	*$225 ($3,000 × (30% - 22.5%))*

Changing methods to calculate your extent of creditable purpose

65. You may change the method you use to determine your extent of creditable purpose. However, if you do, and your extent of creditable purpose changes, you may have to make an adjustment in respect of input tax credits claimed in previous tax periods.

Example 13

66. *On 1 July 2005, Victoria started up her business of mobile pet grooming and care. She purchased a car from a registered used car dealer for $26,400 which included $2,400 GST. Victoria estimated that her business kilometres would be over 5,000 and she elected to use an assumed extent of creditable purpose of $33^1/_3$%. On her first BAS, Victoria claimed an input tax credit of $800 (that is, $2,400 × $33^1/_3$%) in respect of the acquisition of the car (Victoria had not made an annual apportionment election). She continued to use an extent of creditable purpose of $33^1/_3$% for the remaining tax periods in the year.*

67. *However, the business grew rapidly and Victoria changed to the 'log book' method in the first tax period of her second year in business. She was able to show a business use of 60%. Because of this, she has claimed too little input tax credit for the acquisition of the car and she can make a decreasing adjustment to reflect this.*

Car limit

68. The amount of input tax credit is limited where the GST inclusive market value of the car exceeds the car limit for the financial year in which you first used the car for any purpose and, for the purposes of the *A New Tax System (Luxury Car Tax) Act 1999*, you are not entitled to quote an Australian Business Number in relation to the supply. Where these conditions apply the input tax credit is limited to $^1/_{11}$ of the car limit for that year.

69. If you have made an annual apportionment election, the input tax credit you are able to claim for a car under that election is limited to $^1/_{11}$ of the car limit for that year.

Records required in order to claim an input tax credit

70. The amount of input tax credit for a creditable acquisition depends upon the amount of GST payable on the supply of the thing acquired. Therefore, to claim any input tax credit, you must hold appropriate documentation. For expenses greater than $55, you will need to hold a tax invoice.

71. Goods and Services Tax Ruling GSTR 2000/17 (Goods and services tax: tax invoices) explains the requirements of tax invoices. Documents such as insurance renewal notices can serve as tax invoices provided they meet the information requirements set out in the Ruling.

72. There will be many expenses under $55 for which a tax invoice may not be available, the most common being petrol. In these cases, receipts and diary entries are acceptable documentation of the expense incurred. The amount of input tax credit available on a creditable acquisition is $^1/_{11}$ of its cost. However, the amount of input tax credit you can actually claim will depend upon your extent of creditable purpose.

73. If you calculate your car expenses using either the 'one-third' or 'log book' methods, then the records you are required to keep for income tax may be used to substantiate your claims for input tax credits. However, both methods allow a reasonable estimate of fuel and oil expenses. This is not acceptable for GST as the GST law requires input tax credits to be based upon actual expenses rather than estimates.

74. Similarly, if you calculate your car expenses using either the 'cents per kilometre' or '12% of original cost' methods, the records you are required to hold for income tax will not be sufficient for GST purposes. You will need to keep records of all of the expenses you have incurred in order to claim input tax credits.

Annual apportionment election

75. If you make or cancel an annual apportionment election you will need to keep a record of that election and any cancellation (for example, a file note detailing the date the election was made and the date it took effect or the date you decided to stop using annual apportionment). You do not have to notify the Tax Office of your election or cancellation.

76. For car expenses greater than $55 (including GST) you must hold a tax invoice for the car expense at the time you lodge the BAS in which the input tax credit is claimed.

Input tax credits and car allowances and reimbursements

77. Division 111 of the GST Act allows you to claim input tax credits when you reimburse your employees, agents, officers or partners for any expenses they incur in connection with you carrying on your enterprise. However, a reimbursement must be for an actual expense. Thus, if you undertake to pay a proportion of your employee's vouched car insurance expenses and all of the petrol dockets he produces, you may be entitled to claim an input tax credit. If you pay a car allowance to an employee that is not based on actual expenditure, even if it is calculated on actual mileage, this is not a reimbursement and no input tax credit can be claimed.

Date of effect

78. This Bulletin explains our view of the law as it applied from 1 July 2000. You can rely upon this Bulletin on and from its date of issue for the purposes of section 105-60 of Schedule 1 to 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.

79. If this Bulletin conflicts with a previous private ruling that you have obtained or a previous public ruling, this public ruling prevails. However, if you have relied on a previous 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 later public ruling. Similarly, you are not liable to repay an amount overpaid by the Commissioner as a refund.

Previous Bulletin

80. This Bulletin replaces Goods and Services Tax Bulletin GSTB 2000/2 to update it as follows:

- To incorporate information on the annual apportionment of creditable purpose election contained in Division 131 as inserted into the GST Act by *Tax Laws Amendment (Small Business Measures) Act 2004*.
- To update references to related Rulings and terms.
- To delete the information on the phasing-in rules, which are no longer relevant.

Do you need more information?

81. If you have any questions or need more information on GST, you can:

- phone the Business Infoline on **13 28 66**;
- download information from our website at **www.ato.gov.au**;
- obtain *A Fax From Tax* on **13 28 60**; or
- write to us at PO Box 9935 in your capital city.

82. If you do not speak English and need help from the Australian Taxation Office, phone the Translating and Interpreting Service (TIS) on **13 14 50**.

Detailed contents list

83. Below is a detailed contents list for this Goods and Services Tax Bulletin:

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