GSTR 2000/19A2 - Addendum - Goods and services tax: making adjustments under Division 19 for adjustment events

Addendum

Goods and Services Tax Ruling

Goods and services tax: making adjustments under Division 19 for adjustment events

This Addendum amends Goods and Services Tax Ruling GSTR 2000/19 to reflect the changes to sections 19-70 and 19-75 of the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act) which were made as part of the amendments that inserted Division 131 (Annual apportionment of creditable purpose) into the GST Act. Division 131 was inserted into the GST Act by the *Tax Laws Amendment (Small Business Measures) Act 2004* and applies, in relation to net amounts, for tax periods starting on or after 1 October 2004 for entities with quarterly tax periods, and 1 November 2004 for all other entities.

This Addendum applies on and from 13 December 2004 (the date of commencement of Division 131) except for the amendments at items 1, 2 and 3 of this Addendum which apply on and from the date of issue of the Ruling to which the item refers.

You can rely on this Addendum, for the purposes of section 105-60 of Schedule 1 to the *Taxation Administration Act 1953*, from its date of issue.

GSTR 2000/19 is amended as follows:

1. Footnote 17

Omit the footnote; substitute:

> [17] Refer to GSTR 2001/2 which explains how to convert amounts of consideration that are expressed in foreign currency into Australian currency for GST purposes.

2. Footnote 20

Immediately following the last sentence insert:

> Refer to GSTR 2004/2 which explains what is a joint venture for GST purposes.

3. Footnote 22

Omit the footnote; substitute:

> [22] Refer subsection 129-5(1). Goods and Services Tax Ruling GSTR 2000/24 explains how to work out an adjustment for an acquisition or importation under Division 129.

4. Paragraph 92

Omit the paragraph; substitute:

> 92. In working out the input tax credit for an acquisition in relation to a tax period:
>
> - you take into account:[35]
>   - any input tax credit entitlement for the acquisition; and
>   - any changes in circumstances that give rise to any adjustments under Subdivision 19-C, Division 21 or Division 129 (about adjustments for changes in the extent of creditable purpose);
> - you do not take into account:
>   - any annual increasing adjustment that you have made because Division 131[35A] applied to that acquisition. You treat the acquisition as though Division 131 did not apply.

5. Paragraph 93

Omit the paragraph; substitute:

> 93. The corrected input tax credit amount reflects the input tax credit for the acquisition as at the end of the current period. You take into account any Subdivision 19-C, Division 21 or Division 129 adjustment, up to and including the current tax period. If you have made a Division 131 election, and the acquisition was one to which Division 131 applied, you do not take into account any increasing adjustment that you have already made because of that election and you treat the acquisition as though Division 131 had not applied for the purposes of working out the corrected input tax credit amount.

6. Paragraph 94

(a) Omit the heading; substitute:

Example – no annual private apportionment election

(b) Immediately after the second sentence insert:

Thomas has not made an annual apportionment election under Division 131.

---

[35] Subsection 19-70(2).

[35A] Division 131 is about annual apportionment of creditable purpose. You may make an annual apportionment election under Division 131 if you satisfy the eligibility requirements, which are set out in section 131-5 and are explained in the Fact Sheet *GST and annual private apportionment* (which can be accessed at www.ato.gov.au).

7. Paragraph 96

Immediately following the table insert:

Example – annual apportionment election

96A. Joan has tax periods of 1 month. In Joan's tax period ending on 30 June 2005, she makes a creditable acquisition for $1,100. Joan had made an annual apportionment election under Division 131. The extent of creditable purpose for the acquisition is 60% and the extent of private use for the acquisition is 40%. As Joan has a Division 131 annual apportionment election in place she claims the full input tax credit of $100 in the tax period ending 30 June 2005.

96B. Under Division 131 Joan is required to make an increasing adjustment of $40, that is, ($100 - ($100 × 60%)) to account for her private use of the acquisition. Joan needs to make the increasing adjustment in her Business Activity Statement (BAS) that covers the last day on which her income tax return is due or she may choose to make the adjustment in a BAS for an earlier tax period. Joan chooses to make the increasing adjustment in her BAS for the tax period ending 31 July 2005.

96C. In August, after making the annual increasing adjustment, Joan receives a rebate of $110 for the acquisition. This is a reduction in consideration and an adjustment event for the acquisition.

96D. The corrected input tax credit amount for the tax period ending 31 August 2005 is the same as it would have been had the annual apportionment election not applied. This is because in working out the corrected input tax credit amount Joan does not take into account the increasing adjustment that she made under Division 131 and Joan treats the acquisition as though Division 131 did not apply:

original consideration	$1,100
PLUS the total effect on consideration of changes in circumstances which give rise to decreasing adjustments under: Division 129 Division 21 Division 19	 NIL NIL NIL
LESS the total effect on consideration of changes in circumstances which give rise to increasing adjustments under: Division 129 Division 21 Division 19	 NIL NIL $110
Adjusted consideration	$990
Multiplying by 1/11	$90
Multiplying by 60% to give the corrected input tax credit amount	$54

8. Paragraph 97

Omit the second bullet point; substitute:

- the sum of any increasing adjustments under Subdivision 19-C or Division 21, 129 or 131, that were previously attributable to a tax period for the acquisition; plus

9. Paragraph 99

(a) Omit the heading; substitute:

Example – no annual private apportion election – following on from paragraphs 94 to 96

(b) Omit the table; substitute:

input tax credit attributed to any tax period[37]	$60
LESS the sum of all increasing adjustments under	
Division 129	NIL
Division 21	NIL
Division 19 (except any Division 19 adjustments in the current period)[38]	NIL
Division 131[38A]	NIL
PLUS the sum of all decreasing adjustments under:	
Division 129	NIL
Division 21	NIL
Division 19 (except any Division 19 adjustments in the current period)[39]	NIL
previously attributed input tax credit amount	$60

---

[37] Paragraph 19-75(a).
[38] Paragraph 19-75(b).
[38A] You only need to consider this increasing adjustment if you have made an annual apportionment election and you have made an increasing adjustment under Division 131 to account for the private use component of the acquisition.
[39] Paragraph 19-75(c).

(c) Immediately following the table insert:

Example – annual apportionment election – following on from paragraphs 96A to 96D

99A. As Joan has made an annual apportionment election and has made a Division 131 increasing adjustment with respect to the acquisition, the previously attributed input tax credit amount for Joan is worked out as follows:

input tax credit attributed to any tax period[39A]	$100
LESS the sum of all increasing adjustments under	
Division 129	NIL
Division 21	NIL
Division 19 (except any Division 19 adjustments in the current period)[39B]	NIL
Division 131[39C]	$40
PLUS the sum of all decreasing adjustments under:	
Division 129	NIL
Division 21	NIL
Division 19 (except any Division 19 adjustments in the current period)[39D]	NIL
previously attributed input tax credit amount	$60

10. Paragraph 101

(a) Omit the heading; substitute:

Example – no annual private apportion election – following on from paragraphs 94 to 96 and 99

(b) After the paragraph insert:

Example – annual apportionment election – following on from paragraphs 96A to 96D and 99A

101A. Joan's corrected input tax credit amount ($54) is less than the previously attributed input tax credit amount ($60). Therefore, Joan has an increasing adjustment. The amount of the adjustment is:

$60 - $54 = $6

[39A] Paragraph 19-75(a).
[39B] Paragraph 19-75(b).
[39C] Joan reduces the input tax credit originally claimed to the extent that she later made an increasing adjustment of $40 under Division 131 to account for the private use of the acquisition.
[39D] Paragraph 19-75(c).

The final amount of credit Joan should have accounted for is:

Input tax credit for tax period 30 June 2005	$100
Less changes for:	
Division 131 in tax period 31 July 2005	$40
Division 19 in tax period 31 August 2005	$6
	$54

11. Paragraph 103

After the paragraph insert:

103A. Division 131 does not apply to an acquisition that you make that is wholly for a creditable purpose as you are already entitled to claim the full input tax credit.

12. Paragraph 106

After the paragraph insert:

106A. Division 131 does not apply to an acquisition that you make that is wholly for a creditable purpose or that is to any extent a reduced credit acquisition. It also does not apply to an acquisition to the extent that the acquisition relates to making input taxed supplies such as financial supplies.[40A]

13. Related Rulings

At the end add:

GSTR 2000/24; GSTR 2001/2; GSTR 2004/2

14. Legislative references

After:

ANTS(GST)A 1999 Division 130

insert:

ANTS(GST)A 1999 Division 131

Commissioner of Taxation
13 September 2006

ATO references
NO: 2005/18404
ISSN: 1443-5160
ATOlaw topic: Goods and Services Tax ~~ General rules and concepts ~~ adjustment events
Goods and Services Tax ~~ General rules and concepts ~~ adjustments other

[40A] An acquisition, that would otherwise relate to making input taxed financial supplies, is not treated as relating to making input taxed financial supplies if you do not exceed the financial acquisitions threshold as explained in GSTR 2003/9.