GSTR 2001/3A - Addendum - Goods and Services Tax: GST and how it applies to supplies of fringe benefits

Addendum

Goods and Services Tax Ruling

Goods and Services Tax: GST and how it applies to supplies of fringe benefits

This Addendum amends Goods and Services Tax Ruling GSTR 2001/3 to more clearly explain when an employer is entitled to input tax credits for making reimbursements to employees for their expenses. This Addendum also amends GSTR 2001/3 to reflect legislative changes to section 20 of the *A New Tax System (Goods and Services Tax) Transition Act 1999* and corrects an error in paragraphs 117 and 118.

This addendum applies on and from 1 July 2000 except for the amendments to paragraphs 110 and 111, which apply on and from 23 May 2001.

GSTR 2001/3 is amended as follows:

1. Paragraphs 89 and 90

Omit paragraphs 89 and 90, and substitute with:

> 89. Division 111 also requires that the reimbursement be made for a particular expense. Employers need to have some understanding or agreement with their employees about the types of expenses they will reimburse so that a particular acquisition is involved. Types of requirements that indicate such agreements include:
>
> - the employer requiring the employee's invoices to demonstrate that relevant purchases have been made; or
> - the employer requiring the employee's credit card statement to evidence particular purchases (or all of the particular purchases) that are itemised on the statement.
>
> For Division 111 to apply, the arrangement between the employer and the employee needs to be for the reimbursement of a particular purchase or purchases incurred on the credit card. An arrangement that involves no more than reimbursing the balance owing on the employee's credit card statement, an

input taxed financial supply, does not meet the requirements of Division 111.

90. Where a creditable acquisition arises under Division 111, the employer is entitled to claim an input tax credit of 1/11 of the reimbursement. The requirement to hold a tax invoice,[44] in order to claim the input tax credit, is satisfied if the employer holds the employee's tax invoice for the particular expense.[45] Alternatively, where the employer holds the employee's credit card statement listing the expense, the statement may satisfy the need for a tax invoice.[46]

2. Paragraphs 110 and 111

Omit paragraphs 110 and 111 and substitute with:

110. Section 20 of the GST Transition Act applies to deny input tax credits for acquisitions or importations of certain motor vehicles. An entity is not entitled to an input tax credit for the purchase, hire purchase, or importation of certain motor vehicles prior to 23 May 2001.[56]

Example 21

111. *Archimedes Ltd makes a creditable acquisition of a vehicle by way of hire purchase on 1 May 2001 for a four year term for a retail price of $44,000. Archimedes accounts on a cash basis for GST purposes. It intends to supply the vehicle as a remuneration benefit. Archimedes is required to make 48 monthly payments. Under the basic GST rules, Archimedes would be entitled to an input tax credit of 1/11 of each repayment of principal because the employer's supply of the car to the employee is a taxable supply. However, section 20 of the GST Transition Act reduces Archimedes' credit entitlement to nil for each payment over the four year term. For example, if a particular repayment in the third year was $990 (exclusive of term charges), the potential input tax credit of $90 would be reduced to nil.*

[44] Subsection 29-10.
[45] Section 111-15.
[46] Goods and Services Tax Ruling GSTR 2000/26 sets out when a corporate credit card statement satisfies the need for a tax invoice.
[56] The transitional provisions only apply to the acquisition of vehicles by way of purchase, hire purchase, or importation. Specific exceptions are listed in subsection 20(4) of the GST Transition Act.

3. Paragraphs 117 and 118

Omit ‘liability’ wherever it occurs, and substitute ‘taxable value’.

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