

GSTR 2004/8A - Addendum - Goods and services tax: when does an entity have a decreasing adjustment under Division 132?

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Addendum

Goods and Services Tax Ruling

Goods and services tax: when does an entity have a decreasing adjustment under Division 132?

This Addendum amends Goods and Services Tax Ruling GSTR 2004/8 to reflect the amendment to the meaning of 'adjusted input tax credit' in paragraph 132-5(2)(b) of the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act). The amendment to the provision was 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 *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 also amends GSTR 2004/8 to reflect the amendment to paragraph (b) of the definition of 'full input tax credit' (at subsection 132-5(2)) that a supply may be taxable under both sections 9-5 and 84-5 of the GST Act. The amendment was made by *Tax Laws Amendment (2005 Measures No. 1) Act 2005* and applies to supplies made on or after 1 October 2005.

The Addendum also updates references to Goods and Services Tax Ruling GSTR 2000/15 which has since been withdrawn and replaced by Goods and Services Tax Ruling GSTR 2006/4.

This Addendum applies on and from 13 December 2004 (the date of commencement of Division 131) except for the amendments at:

- items 1(b) and 4 of this Addendum, which apply on and from 29 June 2005; and
- items 2 and 6 of this Addendum, which apply on and from the date of issue of GSTR 2006/4.

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 2004/8 is amended as follows:

1. Paragraph 14

(a) Omit paragraph (b) of the definition of adjusted input tax credit; substitute:

(b) the sum of:

- (i) any increasing adjustments, under Subdivision 19-C⁶ or Division 129⁷, that were previously attributable to a tax period in respect of the acquisition or importation; and
- (ii) any increasing adjustment under Division 131^{7A} that has been previously, is or will be attributable to a tax period in respect of the acquisition or importation; plus

(b) At paragraph (b) of the definition of full input tax credit:

- (i) Omit 'only' which occurs before 'because'.
- (ii) Insert 'or is' after 'had been'.

2. Footnote 17

Omit 'paragraph 40 of GSTR 2000/15'; substitute 'paragraph 55 of GSTR 2006/4'.

3. Paragraph 42

Omit the first sentence of the paragraph; substitute:

The AITC component of the decreasing adjustment formula is the amount of the input tax credit that was attributable to the acquisition, adjusted by any increasing and decreasing adjustments made under Subdivision 19-C and Division 129 and any increasing adjustment under Division 131^{25A} that has been previously, is or will be attributable to a tax period in respect of the acquisition.

4. Paragraph 43

In the second sentence omit 'only' before 'because'.

⁶ Subdivision 19-C is about adjustments for acquisitions.

⁷ Division 129 is about changes in the extent of creditable purpose.

^{7A} Division 131 is about annual apportionment of creditable purpose.

^{25A} 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).

5. Paragraph 47

After the paragraph insert:

Example 3A: Annual apportionment election in place

47A. *Following from Example 3, assume Janet has quarterly tax periods. Janet acquires another motorcycle on 15 December 2004 for \$5,500 (including \$500 GST).*

47B. *Janet has a Division 131 annual apportionment election in place and claims the full input tax credit of \$500 in the tax period in which the motorcycle is acquired, that is, the tax period ending 31 December 2004.*

47C. *Janet's use of the motorcycle is 80% for her courier contracting business and 20% private. Under Division 131 Janet is required to make an increasing adjustment of \$100 ($\$500 - (\$500 \times 80\%)$) to account for her private use of the motorcycle. Janet 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. As Janet is required to lodge her income tax return for the 2004-05 income year by 31 October 2005, she needs to account for the increasing adjustment in a BAS for a tax period ending no later than 31 December 2005.*

47D. *On 15 June 2005 Janet sells the motorcycle for \$4,400. As the motorcycle is sold in the course or furtherance of Janet's enterprise, the sale is a taxable supply. Janet accounts for the GST payable of \$400 ($\frac{1}{11}$ of \$4,400) in the tax period ending 30 June 2005. At the same time Janet is also entitled to a decreasing adjustment under Division 132.*

47E. *In calculating the decreasing adjustment under Division 132, Janet is required to work out the adjusted input tax credit (AITC) amount. The AITC is the amount of any input tax credit that was attributable to a tax period in respect of the motorcycle (that is \$500) less the increasing adjustment of \$100, which she is required to make under Division 131. The AITC is therefore \$400 ($\$500 - \100). The amount of the decreasing adjustment calculated under subsection 132-5(2) is as follows:*

$$\frac{1}{11} \times \$4,400 \times \left[1 - \left(\frac{\$400}{\$500} \right) \right] = \$80$$

6. Related Rulings/Determinations

Omit 'GSTR 2000/15'; substitute 'GSTR 2006/4'.

GSTR 2004/8

7. Legislative references

After:

ANTS(GST)A 1999 Div 130

Insert:

ANTS(GST)A 1999 Div 131

Commissioner of Taxation

13 September 2006

ATO references

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