



# ***GSTR 2006/4A4 - Addendum - Goods and services tax: determining the extent of creditable purpose for claiming input tax credits and for making adjustments for changes in extent of creditable purpose***

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## Addendum

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### Goods and Services Tax Ruling

Goods and services tax: determining the extent of creditable purpose for claiming input tax credits and for making adjustments for changes in extent of creditable purpose

This Addendum is a public ruling for the purposes of the *Taxation Administration Act 1953*. It amends Goods and Services Tax Ruling GSTR 2006/4 to reflect amendments made to the *A New Tax System (Goods and Services Tax) Act 1999* by *Tax Laws Amendment (2011 Measures No. 9) Act 2012*.

The Addendum also reflects amendments made to the *Taxation Administration Act 1953* by the *Indirect Tax Laws Amendment (Assessment) Act 2012* and the *Fuel Tax (Consequential and Transitional Provisions) Act 2006*.

#### **GSTR 2006/4 is amended as follows:**

**1. Paragraph 12**

In the first sentence, omit: '[to tax periods commencing]'

**2. Footnote 5**

Omit 'See'; substitute 'See former'.

### 3. Paragraph 20

Omit the paragraph, substitute:

20. The difference between your total GST payable and your total input tax credits for a tax period is called your **net amount**.<sup>9</sup> Adjustments either increase or decrease your net amount. An increasing adjustment increases your net amount for the tax period, while a decreasing adjustment decreases your net amount for the tax period. You include these amounts on your Business Activity Statement (BAS). The Commissioner is taken to have made an assessment of your net amount on the day you lodge your BAS and your BAS is treated as the notice of assessment given to you on the same day.<sup>9A</sup> The assessed net amount is to be paid to, or refunded by, the Commissioner.<sup>10</sup>

### 4. Paragraph 22

In footnote 12, omit the URL; substitute:

<http://www.ato.gov.au/Business/GST/In-detail/Managing-GST-in-your-business/Reporting,-paying-and-activity-statements/GST-and-annual-private-apportionment/>

### 5. Paragraph 23

In footnote 14, omit the URL; substitute:

<http://www.ato.gov.au/Business/GST/In-detail/Managing-GST-in-your-business/Reporting,-paying-and-activity-statements/Report-your-GST-once-a-year/>

### 6. Footnote 19

Omit the footnote; substitute: 'Subsection 382-5(4) of Schedule 1 to the TAA.'

### 7. Footnote 24

Omit the footnote; substitute:

<sup>24</sup> This does not apply if the acquisition or importation relates to input taxed supplies made through an enterprise or part of an enterprise you carry on outside Australia. Nor does it apply if the acquisition or importation relates to financial supplies and either you do not exceed the financial acquisitions threshold, or the financial supply is a borrowing that relates to you making supplies that are not input taxed. See subsections 11-15(3) to (5) and 15-10(3) to (5).

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<sup>9</sup> Section 17-5.

<sup>9A</sup> Section 155-15 of Schedule 1 to the TAA.

<sup>10</sup> Sections 7-15, 33-3, 33-5 and 35-5 of the GST Act. Division 3 of Part IIB of the TAA allows the Commissioner to apply the amount of any refund owing as a credit against tax debts that you owe to the Commonwealth.

Note, however, that subsection 11-15(5) does not apply to an acquisition you make on or after 1 July 2012 to the extent that it relates to a financial supply consisting of a borrowing through a deposit account you make available.

## **8. Paragraph 67**

Omit subparagraphs 67(ii) and 67 (iii); substitute:

- (ii) supplies made by way of lease or licence of residential premises to be used predominantly for residential accommodation (including some supplies of long-term accommodation in commercial residential premises);
- (iii) supplies made by way of sale or long-term lease of residential premises to be used predominantly for residential accommodation (excluding new residential premises);

## **9. Paragraph 68**

In the first sentence omit, 'If you make supplies of residential rent,'; substitute: 'If you make input taxed supplies of.'

## **10. Paragraph 86**

- (a) In the last sentence of the paragraph, omit: '*these benefits*'; substitute '*acquisitions relating to supplies of food*'.
- (b) After the last sentence of the paragraph, insert: '*The extent of creditable purpose of acquisitions relating to the supply of accommodation is dependent upon whether the supply of accommodation is a taxable, GST-free<sup>50A</sup> or input taxed supply.<sup>50B</sup>*'.

## **11. Paragraph 130**

Omit the paragraph including footnote 71; substitute:

130. If you make a creditable acquisition or creditable importation, the TAA sets out the requirements for record keeping.<sup>71</sup> The records must be sufficient to 'record and explain' all transactions and other acts you engage in that are relevant to your acquisitions, importations or entitlements. For tax periods prior to 1 July 2012, you are required to retain those documents for a period of five years after completion of

<sup>50A</sup> See section 38-250.

<sup>50B</sup> See section 40-35 and Goods and Services Tax Ruling GSTR 2012/5 *Goods and services tax: residential premises*. Prior to the addendum that issued on 19 December 2012, this example was deficient and may have been construed as allowing 100% creditable purpose even if the supply of accommodation to members was an input-taxed supply. If a religious institution covered by the facts in this example has relied on such an interpretation, it is protected by this Ruling for GST returns lodged prior to the date of the addendum.

<sup>71</sup> See Subdivision 382-A of Schedule 1 to the TAA.

the transactions or acts to which they relate. For tax periods from 1 July 2012, you are required to retain the records for the longest of:

- five years after the completion of the transactions or acts to which they relate; and
- the period of review for any assessment of a net amount to which those records, transactions or acts relate. In practical terms this means four years from the day after you lodge your GST return that takes into account the relevant acquisition, importation or entitlement unless the period of review is extended in the circumstances set out in subsections 155-35(3) and (4) of Schedule 1 to the TAA; and
- where an assessment has been amended under Subdivision 155-B of Schedule 1 to the TAA, the refreshed period of review that applies to the latest amendment. That is, four years after the day on which the Commissioner gave notice of the last of the amendments.

130A. If you make any election, choice, estimate, determination or calculation under the GST Act, you must keep records containing particulars of the election, choice, estimate, determination or calculation as well as the basis on which, and the method by which, the estimate, determination, or calculation was made. You are required to retain these records for at least 5 years after the election, choice, estimate, determination or calculation was made unless a provision specifies when it ceases to have effect. In these cases, you are required to retain the records for at least 5 years after it ceases to have effect.

130B. As your allocation or apportionment method is used for the purposes of subsection 11-30(3) to calculate the 'extent of creditable purpose' of an acquisition, you must keep records containing particulars of the method for at least five years after the calculation was made.

130C. The records need to be such as to enable your liability and entitlements under the GST Act to be readily ascertained. Records you normally keep as part of carrying on your enterprise may be sufficient to support the method adopted. If this is not the case, you should keep additional records.

## 12. Paragraph 131

Omit the second and third sentences.

**13. Paragraph 159**

Omit the first bullet point; substitute:

- the amount of all the input tax credits to which you would be entitled for your financial acquisitions would exceed:
  - if you are determining whether you exceed the financial acquisitions threshold at a time during June 2012 or an earlier month — \$50,000; or
  - if you are determining whether you exceed the financial acquisitions threshold at a time during July 2012 or a later month — \$150,000 or such other amount specified in the regulations<sup>80A</sup>;

**14. Paragraph 163**

Omit the third sentence; substitute:

They are:

- financial supplies (section 40-5);
- supplies by way of lease or licence of residential premises to be used predominantly for residential accommodation (section 40-35);
- supplies by way of sale or long-term lease of residential premises to be used predominantly for residential accommodation (excluding new residential premises) (sections 40-65 and 40-70);
- certain supplies of precious metals (section 40-100); and
- school tuckshops and canteens (section 40-130).

**15. Related Rulings/Determinations**

Insert 'GSTR 2012/5'.

**16. Legislative references**

Omit:

- ANTS(GST)A 1999 33-5(1)
- ANTS(GST)A 1999 35-5(1)
- ANTS(GST)A 1999 35-5(2)
- TAA 1953 70
- TAA 1953 70(1AAA)

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<sup>80A</sup> Part 1 of Schedule 3 to the *Tax Laws Amendment (2011 Measures No. 9) Act 2012* amended Division 189 to increase the financial acquisitions threshold from \$50,000 to \$150,000. The amendments apply for working out whether you exceed the financial acquisitions threshold at a time during July 2012 or a later month.

Insert:

- ANTS(GST)A 1999 7-15
- ANTS(GST)A 1999 33-3
- ANTS(GST)A 1999 33-5
- ANTS(GST)A 1999 35-5
- ANTS(GST)A 1999 38-250
- ANTS(GST)A 1999 40-70
- TAA 1953 Sch 1 Subdiv 155-B
- TAA 1953 Sch 1 155-15
- TAA 1953 Sch 1 155-35(3)
- TAA 1953 Sch 1 155-35(4)
- TAA 1953 Sch 1 Subdiv 382-A
- Tax Laws Amendment (2011 Measures No. 9) Act 2012

This Addendum applies both before and after its date of issue, subject to the commencement and application provisions of each amending Act or Regulation to which it refers.

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**Commissioner of Taxation**

11 December 2013

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ATO references

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