



GSTR 2006/4A5 - 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

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 include methodologies for determining the extent of creditable purpose for car expenses.

GSTR 2006/4 is amended as follows:

1. Preamble

Omit the preamble; substitute:

① Relying on this Ruling

This publication is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

Further, if we think that this Ruling disadvantages you, we may apply the law in a way that is more favourable to you.

2. Paragraph 4

At the end of the paragraph, insert 'Where the term 'Australia' is used in this Ruling, it is referring to the 'indirect tax zone' as defined in subsection 195-1 of the GST Act.

3. Paragraph 9

Omit the paragraph.

4. Paragraph 11

Omit 'Frequently Used Terms'; substitute 'Frequently used terms'.

5. Paragraph 20

In footnote 10, omit the words 'of the GST Act'.

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6. Paragraph 22

- (a) Omit 'Fact sheet *GST and annual private apportionment*'; substitute 'Information on ato.gov.au'.
- (b) Omit the wording of footnote 12, substitute:
See [Annual private apportionment of GST](#).

7. Paragraph 23

- (a) Omit 'Fact sheet *Report your GST once a year*'; substitute 'Information on ato.gov.au'.
- (b) Omit the wording of footnote 14; substitute
See [Annual GST reporting](#).

8. Paragraphs 27, 50, 76 and 79

Before 'subsection 51(1)', insert 'former'.

9. Paragraph 33

At the end of footnote 16, insert 'of this Ruling'.

10. Paragraph 60

At the end of footnote 39, insert 'of this Ruling'.

11. Paragraph 67

Omit 'of the GST Act'.

12. Paragraph 75

- (a) In footnote 45, omit 'Subsection 51(1)'; insert 'Former subsection 51(1)'
- (b) In the second sentence, before subsection 51(1)', insert 'former'.

13. Paragraph 84

In footnote 49, omit 'of the GST Act'.

14. Paragraph 89

Omit 'of the GST Act'.

15. Paragraph 120

Omit 'paragraphs 143 to 153 of the Ruling'; substitute 'paragraphs 143 to 153 of this Ruling'.

16. Paragraph 127

Omit 'paragraph 127 of the Ruling'; substitute 'paragraph 127 of this Ruling'.

17. Paragraph 128

At the end of the paragraph, insert:

- (d) Motor vehicle expenses:
 - (i) cents per kilometre method; or
 - (ii) logbook method.

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

If you maintain a logbook 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.

18. Paragraph 160

Omit the paragraph; substitute

160. Subsection 40-5(2) provides that the term 'financial supply' has the meaning given by the *A New Tax System (Goods and Services Tax) Regulations 2019* (GST Regulations). Under section 40-5.09 of the GST Regulations, the provision, acquisition or disposal of an interest mentioned in subsection 40-5.09(3) is a financial supply where that provision, acquisition or disposal satisfies the requirements set out in section 40-5.09. Section 196-1.01 of the GST Regulations defines 'interest' as anything that is recognised at law or in equity as property in any form.

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This Addendum applies on and from 22 January 2020.

Commissioner of Taxation

22 January 2020

ATO references

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Goods and services tax~~Financial supplies~~Financial acquisitions
threshold
Goods and services tax~~General rules and concepts~~Supplies~~Other
supplies

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