



GSTA TPP 052 - Goods and services tax: If an employer provides an employee with a motor vehicle that will be used privately by the employee, is the employer entitled to an input tax credit on the acquisition of the vehicle?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *14 June 2005*



Goods and Services Tax Advice

Goods and services tax: If an employer provides an employee with a motor vehicle that will be used privately by the employee, is the employer entitled to an input tax credit on the acquisition of the vehicle?

Preamble

This document is a ruling for the purposes of section 37 of the *Taxation Administration Act 1953*. It illustrates the principles contained in **Goods and Services Tax Ruling GSTR 2001/3 on how GST applies to supplies of fringe benefits**. You can rely on the information presented in this document, which provides advice on the operation of the GST system.

Answer

Yes, the employer is entitled to an input tax credit on the acquisition of the motor vehicle.

Background

A GST registered entity purchased a motor vehicle for use in the business and to provide it to an employee for private use.

Explanation

In relation to determining creditable purpose, paragraph 52 of GSTR 2001/3 on how GST applies to supplies of fringe benefits states:

52. An acquisition or importation you make to provide a fringe benefit in respect of employment in your enterprise is made in carrying on the enterprise and is not of a private or domestic nature for the purposes of section 11-15 and section 15-10. It is your purpose at the time of making the acquisition or importation that is relevant to whether the acquisition or importation is for a creditable purpose. For example, an acquisition made to provide a car for the private use of your employee is made for a creditable purpose.

Note: Division 129 applies when the extent of creditable purpose changes. If an employer, having already made the vehicle available to the employee, also pays the employee a motor vehicle allowance for business running expenses, (for

example by way of a cents per kilometre rate) the employer has not changed its use of the car, nor the extent of creditable purpose. No adjustment under Division 129 is required.

The payment of an allowance for business mileage does not give rise to an entitlement to an input tax credit because the payment is not for actual expenditure, even though it may be based upon actual business kilometres.

Application of this GST Advice

This Advice is based on GSTR 2001/3. It explains our view of the law as it applied from 1 July 2000. You can rely on this Advice on and from its date of issue for the purposes of section 37 of the *Taxation Administration Act 1953*. Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

If this Advice conflicts with a previous private ruling that you have obtained, this public ruling prevails. However, if you have relied on a private ruling, you are protected in respect of what you have done up to the date of issue of this public ruling. This means that if you have underpaid an amount of GST, you are not liable for the shortfall prior to the date of issue of this later ruling. Similarly, you are not liable to repay an amount overpaid by the Commissioner as a refund.

Commissioner of Taxation

Date

Subject references:

fringe benefit
input tax credit
creditable acquisition
creditable purpose

Legislative references:

ANTS(GST)A 1999 11-15
ANTS(GST)A 1999 15-10
ANTS(GST)A 1999 Div 129
TAA 1953 37

ATO references

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