


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?

 This cover sheet is provided for information only. It does not form part of *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?*

 This document has changed over time. This is a consolidated version of the ruling which was published on *31 October 2012*



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 was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the **Taxation Administration Act 1953** and former section 105-60 of Schedule 1 to the **Taxation Administration Act 1953**.*

*From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the **Taxation Administration Act 1953**.*

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

[Note: This is a consolidated version of this document. Refer to the Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]

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 applies [to tax periods commencing] both before and after its date of issue. However, this Advice will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Advice (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

Related Rulings/Determinations/GST Advice:

TR 2006/10

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 Sch 1 Div 358

ATO references

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