


GSTA TPP 005 - Goods and services tax: How do I calculate the input tax credit for second-hand goods acquired before 1 July 2000?

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 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: how do I calculate the input tax credit for second-hand goods acquired before 1 July 2000?

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

You use the approach described in Division 66 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) to calculate your input tax credits.

Background

You buy second-hand goods before the start of GST on 1 July 2000. You subsequently make a taxable supply of the second-hand goods after 1 July 2000. You are registered for GST.

Explanation

Section 18 of the *A New Tax System (Goods and Services Tax Transition) Act 1999* (Transition Act) allows Division 66 of the GST Act to apply in relation to second-hand goods that are acquired before 1 July 2000. However:

- you must have held the second-hand goods at the start of that day for the purposes of sale or exchange (but not for manufacture) in the ordinary course of business.
- you must not have previously held them for any other purpose.
- the supply of the goods to you must not have been by way of hire; and
- you must subsequently make a taxable supply of the goods

Note: If you claim a special GST credit for sales tax paid on stock under section 16 of the Transition Act, you cannot also claim a credit under section 18 of the Transition Act.

Division 66 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) provides that an acquisition of second-hand goods you make may be a creditable acquisition despite the fact that GST was not payable on the supply of the goods to you.

Subdivision 66-A of the GST Act

Subdivision 66-A of the GST Act outlines the manner in which you calculate and account for an input tax credit relating to an acquisition of second-hand goods in circumstances where:

- you do not divide the goods for re-supply, or
- you divide the goods for re-supply and your division either corresponds to or involves no further divisions than the divisions indicated by the separate consideration you provided for each item (in the event that parts of your acquisition were separately itemised)

For more information on how to calculate and attribute the amount of an input tax credit in accordance with subdivision 66-A of the GST Act, refer to GSTA TPP 007 on calculating input tax credits for second-hand goods not to be divided for re-supply.

Subdivision 66-B of the GST Act – Global accounting method

Subdivision 66-B of the GST Act applies if an acquisition of second-hand goods is divided for re-supply (other than where the division is covered by the second-dot point above under the heading *Subdivision 66-A of the GST Act*)

For more information on how to calculate and account for the amount of an input tax credit in accordance with subdivision 66-B of the GST Act, refer to GSTA TPP 008 on calculating the input tax credit for second-hand goods divided for re-supply.

Note:

If:

- *you are entitled to an input tax credit for an acquisition of second-hand goods due to section 18 of the Transition Act;*
- *the consideration for the acquisition was \$300 or less;*
- *you choose not to apply subdivision 66-B to the acquisition (in the event you could); and*
- *you choose not to attribute the credit to the tax period in which you make the subsequent taxable supply;*

the input tax credit is treated as though it were an input tax credit attributable to any one tax period of your choice.

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; GSTR 2000/8; GSTA TPP 006; GSTA TPP 007; GSTA TPP 008

Subject references:

second-hand goods
input tax credits
creditable acquisitions
transition

Legislative references:

ANTS(GST)A 1999 Div 66
ANTS(GST)A 1999 Subdiv 66-A
ANTS(GST)A 1999 Subdiv 66-B
ANTS(GST)A 1999 18
TAA 1953 Sch 1 Div 358

Other references:

Fact Sheet 'GST transitional arrangements - second hand goods'
Goods and Services Tax Advice 'Goods and Services Tax: input tax credit for second-hand goods acquired before 1 July 2000'
Goods and Services Tax Advice 'Goods and Services Tax: input tax credit for second-hand goods acquired before 1 July 2000 – Addendum'

ATO references

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