

Tax Tools - Claiming GST Tax Credits using Different Types of Finance

We will assume the business equipment is a Motor Vehicle, which is used 100% for business purposes.

For example, the GST Inclusive Price of the relevant Motor Vehicle is \$44,000. Therefore the GST component is 1/11 of the GST inclusive price, which is \$4,000.

Now, this \$4,000 GST is claimed different ways depending on the finance. We will assume the small business is claiming GST under the **Cash Basis**. Under this basis, you only owe GST in the quarter you receive the money from the customer.

The treatment is as follows:

- **Lease**
The \$4,000 GST is claimed over the lease period. Say the lease is for 60 months, then the amount claimed will be 1/11 of the monthly lease payment;
- **Hire Purchase**
Since the 1 July 2012, you can now claim in the same manner as the Mortgage Chattel (refer below). You can claim the \$4,000 GST in the quarter you purchased the motor vehicle.
- **Mortgage Chattel**
Under this form of finance, the \$4,000 GST can be claimed in the quarter you purchased the motor vehicle. This can be very handy for cash flow purposes and you are still repaying the loan over a period of 60 months.

Since the GST was introduced, this form of financing has become very popular, as it greatly assists the cash flow of the small business.

You will normally need some accounting assistance to claim the full amount of GST in the quarter the motor vehicle was purchased. Contact us, if you need any assistance.

- **Bank Loan or Paying it Outright with Business Funds**
Similar to the mortgage chattel, you claim the \$4,000 GST in the quarter you purchased the car.