

Tax Tools – GST on Sale of Business Fixed Assets

This is one of the most common adjustments made by the Tax Office in a GST Audit. It does not matter when the motor vehicle was purchased. If the vehicle is owned by the business and the business is registered for GST, then GST applies on the Sale.

For vehicles that are 100% business use then GST is 1/11 of the GST Inclusive Price.

For companies, GST is applied to the full Sale Price, no matter what the business portion is. Therefore, GST is 1/11 of the GST Inclusive Price.

For sole traders and partnerships, GST is determined on the business portion of the motor vehicle. If the vehicle was 80% business use and it was sold for \$20,000 (GST Inclusive) then the GST would be: $([\$20,000 \times 80\%] \times 1/11) = \$1,455$. G1 would be \$20,000 and 1A would be \$1,455.

One of the main reasons for taxpayers getting this wrong is that on most occasions the Sold Vehicle is traded in for the New Vehicle. Which means the transaction of the Sale of the Vehicle is lost and combined with the Purchase transaction.

If a vehicle is traded in for \$20,000 for the purchase of an upgraded model, for \$40,000, you need to deal with these two transactions separately. Often the Net Purchase of \$20,000 is subject to finance and only this transaction is treated in the books of the business.

Please contact us if you need our assistance with this transaction.