

# GST and cars

Helps you to work out if you are eligible to buy or lease a car or buy car parts GST-free.

## ! TERMS WE USE

When we say:

- **you**, we mean **you as a disabled veteran or a person with a disability**, and
- **car**, we mean a **motor vehicle** (except a motor cycle or similar vehicle) **designed to carry a load of less than one tonne and fewer than nine passengers**.

## AM I ELIGIBLE TO PURCHASE A CAR GST-FREE?

You are eligible to purchase a car GST-free if you are an eligible:

- disabled veteran and you intend to use the car for your personal transportation for a period of two years or until you use the car to travel 40,000 kilometres from the date you purchase it, or
- person with a disability and you intend to use the car for your personal transportation to or from gainful employment for a period of two years or until you use the car to travel 40,000 kilometres from the date you purchase it.

## ! You cannot purchase a car GST-free if you:

- are not an eligible disabled veteran or eligible person with a disability, for example, an eligible person's spouse, carer or family member cannot purchase a car GST-free, or
- purchase a car in joint names with another person.

If you are eligible to purchase a car GST-free and you purchase a vehicle that is not a car, for example, a truck or a van, the vehicle will not be GST-free.

## AM I AN ELIGIBLE DISABLED VETERAN?

You are an eligible disabled veteran if you have served in the Defence Force or in any other armed force of Her Majesty and as a result of that service you:

- have lost a leg or both arms
- have had a leg or both arms rendered permanently and completely useless
- are a veteran to whom section 24 of the *Veterans' Entitlements Act 1986* applies and you receive a pension under Part II of that Act (also known as a totally and permanently incapacitated (TPI) pension), or
- are a veteran receiving a Special Rate Disability Pension under Part 6 of Chapter 4 of the *Military Rehabilitation and Compensation Act 2004* or satisfying the eligibility criteria in section 199 of that Act.

! Most eligible disabled veterans have a Gold Repatriation Health Card (for all conditions, embossed 'TPI'), that may be shown as evidence of their eligibility. However, if you are a cadet, officer of cadets, instructor of cadets or a 'declared member' and you have such a card, you are not eligible to purchase a car GST-free.

Veterans who have lost limbs or the use of their limbs as a result of service may obtain a certificate from the Department of Veterans' Affairs confirming their eligibility.

## AM I AN ELIGIBLE PERSON WITH A DISABILITY?

You are an eligible person with a disability if you have a current disability certificate, issued by Health For Industry (HFI), part of the Health Services Australia Group, certifying that you have lost the use of one or more limbs to such an extent that you are unable to use public transport.



## HOW DO I OBTAIN A DISABILITY CERTIFICATE IF I HAVE A DISABILITY AND I'M IN THE WORKFORCE?

You can **only** obtain a disability certificate from HFI.

To do so you will need to:

- 1 phone us on **13 28 66** or **1300 661 542** to obtain an *Application for medical assessment to obtain a car or car parts GST-free* (NAT 3417), which includes a *Medical Report on Applicant* form
- 2 have the form completed by the treating doctor or specialist
- 3 send the completed form to HFI including any **relevant medical reports**
- 4 enclose a cheque to cover the HFI assessment fee (cheques should be marked payable to Health For Industry), and
- 5 post the form, the cheque and any other medical reports to:  
**Health For Industry**  
**GPO Box 9821**  
**In your capital city**

HFI may issue you with a temporary or permanent certificate if they determine that you have lost the use of one or more limbs to the extent that you're unable to use public transport.

If you receive a **permanent certificate**, you will generally not need another medical assessment when purchasing a subsequent car GST-free. However, you will need to keep this certificate as it is required whenever you purchase a car or car part GST-free. If you lose or destroy the certificate, you will need to obtain a replacement from HFI, which will involve reassessment.

If you receive a **temporary certificate**, you will need another medical assessment by HFI before purchasing a subsequent car GST-free.

## WHAT IS GAINFUL EMPLOYMENT?

If you are an eligible person with a disability, you are gainfully employed for GST purposes if you:

- undertake paid work or work in your own business for at least eight hours a week on a regular basis, and
- the payment you receive is appropriate for your age, experience and capabilities.

You are **not eligible** to purchase a car GST-free if you have a disability and you are not gainfully employed. Therefore, you cannot purchase a car GST-free if you:

- wish to use the car to look for gainful employment
- work as a volunteer only, or
- are a student only.

## WHAT IS THE MAXIMUM VALUE OF A CAR I CAN BUY GST-FREE?

If you are eligible to purchase a car GST-free, it will only be GST-free to the value of the car limit. The 2007-08 car limit is \$57,123. You must pay GST on any amount over that limit.

The value of the car you purchase does not include the value of any modifications made solely to adapt the car for you to drive or be driven in.

## CAN I LEASE A CAR GST-FREE?

If you are eligible to purchase a car GST-free, you are also eligible to lease a car GST-free, provided:

- the period of the lease is for at least two years, or
- you use the car to travel 40,000 kilometres from the date you lease it, and
- you intend to use the car for the prescribed purpose, as outlined in 'Am I eligible to purchase a car GST-free?', for the whole of that period.

## IF I LEASE A CAR UNDER A NOVATION ARRANGEMENT, IS IT GST-FREE?

Whether a car is GST-free under a novation arrangement depends on the type of novation arrangement you enter into.

- The car is **GST-free** if you lease it under a **partial novation arrangement**. That is, the car is leased directly by you, not your employer.
- The car is **not GST-free** if it is subject to a **full novation arrangement**. That is, the car is leased by your employer.

## CAN I PURCHASE CAR PARTS GST-FREE?

If you are eligible to purchase a car GST-free, you are also eligible to purchase car parts GST-free. Car parts include items such as batteries, disc brake pads, tyres, oil filters, petrol filters, fuel pumps, liquid petroleum gas (LPG) conversion kits, spark plugs, water pumps, radiator hoses, windscreens, and head and tail light globes.

Items such as oil, grease, paint, hydraulic fluid, radiator additives, refrigerant gas, petrol additives, brake fluid and petrol are not car parts and are not GST-free.

Accessories such as spoilers, mudflaps, pin striping, roof racks, CD players, are not GST-free.

Parts that are not specifically car parts are not GST-free. For example, parts specifically for trucks, vans, buses, motor cycles and machinery are not GST-free.

Car parts purchased by a business to on-sell to eligible persons are not GST-free. The business must pay GST when it buys the car parts and can later claim a GST credit (if registered for GST). The business can then sell the car parts GST-free to the eligible person.

### IS THE COST OF LABOUR GST-FREE WHEN MY GST-FREE CAR IS SERVICED OR REPAIRED?

No, you can only purchase car parts GST-free. As a general rule, if the service or repair to the car only involves labour, it is not GST-free.

Where a service or repair to the car includes car parts and labour, the labour will be:

- **taxable** if the service or repair to the car mostly involves labour with some minor car parts that are incidental to the labour component, for example, a standard service involving only a change of spark plugs. In this instance, the service or repair is treated as a single supply of labour and is not GST-free.
- **GST-free** if the service or repair mostly involves car parts with labour being ancillary or incidental to the parts component, for example, the supply and fitting of tyres. In this instance, the service or repair is treated as a single supply of car parts and is GST-free.

If the service or repair consists of both car parts and labour that have a significant value, the labour and parts may be treated as separate supplies. That is, a supply of car parts that are GST-free and a supply of labour that is taxable.

### DO I HAVE TO PROVIDE THE CAR OR CAR PART SUPPLIER WITH DOCUMENTATION?

If you buy or lease a car or purchase car parts GST-free, you must give the supplier either the:

- *Declaration to the Commissioner of Taxation: Goods and Services Tax-Person with a Disability Gainfully Employed* (NAT 3419), or
- *Declaration to the Commissioner of Taxation: Goods and Services Tax -Disabled Veteran* (NAT 3418).

If you are an eligible disabled veteran, you can also obtain an approved form from offices of the Department of Veterans' Affairs.

### CAN I PURCHASE GST-FREE MEDICAL AIDS AND APPLIANCES FOR MY CAR?

Provided they are specifically designed for people with an illness or disability, and are not widely used by people without an illness or disability, you can purchase the following items GST-free:

- special purpose car seats
- car seat harnesses specifically designed for people with disabilities
- wheelchair and occupant restraints
- wheelchair ramps
- electric/hydraulic wheelchair lifting devices, and
- motor vehicle modifications.

Veterans may be able to receive vehicle modifications under programs run by the Department of Veterans' Affairs.

➤ For more information call the Department of Veterans' Affairs on **13 32 54** or **1800 555 254** for people in regional or rural areas.

### IF I PURCHASE A LUXURY CAR AND MODIFY IT SO I CAN DRIVE OR BE DRIVEN IN IT, DOES LUXURY CAR TAX APPLY?

If you purchase a car with a GST-inclusive value above the luxury car tax (LCT) threshold (\$57,123 for the 2007-08 financial year) the car will be subject to LCT. In determining the GST-inclusive value of the car, the value of any parts, accessories or attachments supplied or imported at the same time as the car is generally included.

A car that is specifically fitted out for transporting a person with a disability seated in a wheelchair is not a luxury car and is not subject to LCT, unless the car is GST-free. If the car is GST-free, it will be subject to LCT.

❗ LCT does not apply to the value of modifications made solely for the purpose of adapting the car for driving by, or transporting, a person with a disability.

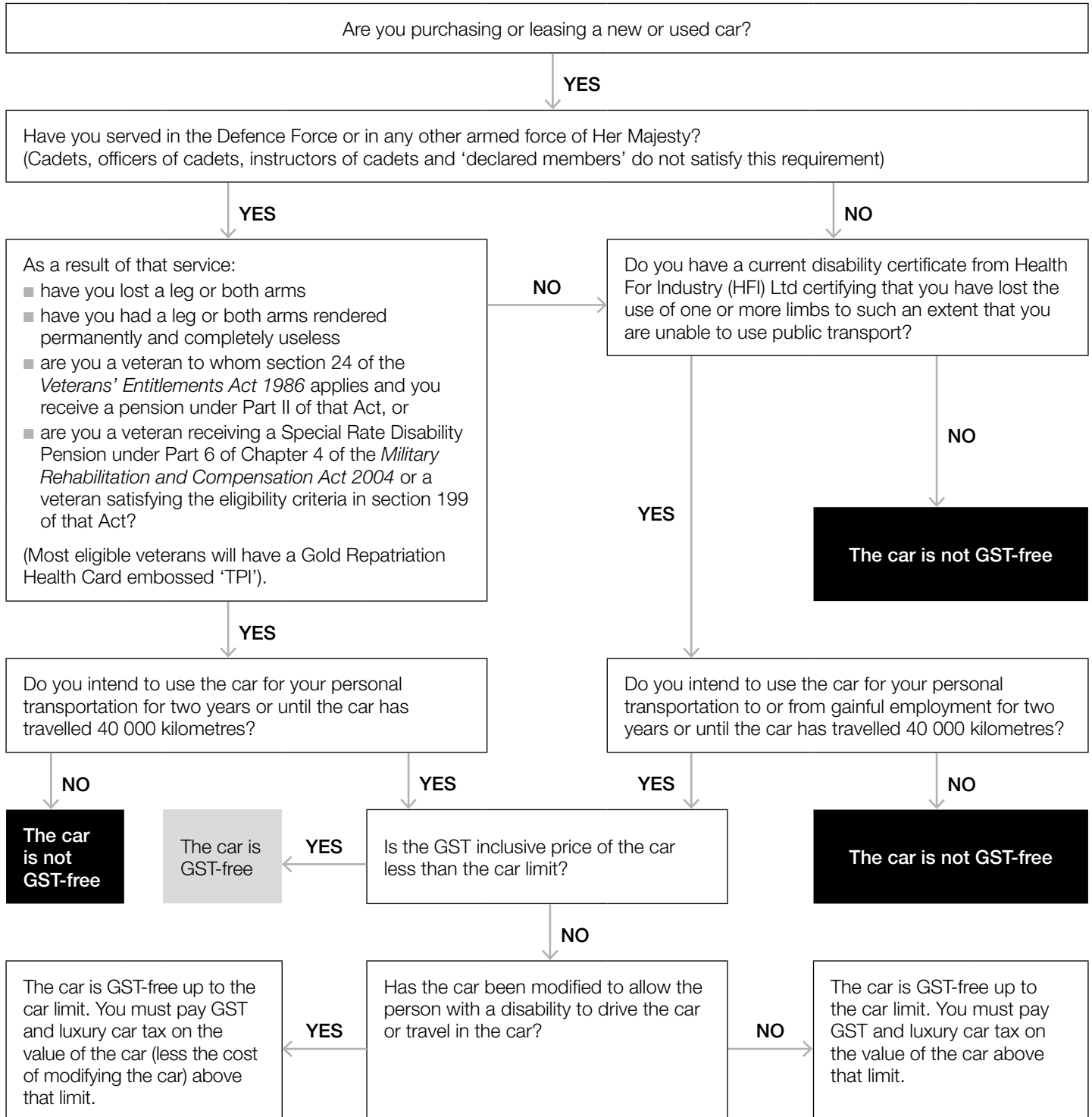
➤ For more information about LCT, refer to *Luxury car tax* (NAT 3394).

### CAN CAR DEALERS CLAIM A GST CREDIT FOR SECOND-HAND CARS THEY SELL GST-FREE TO ELIGIBLE PEOPLE?

No. If a car dealer buys or trades-in a car from a person who is not registered for GST and then sells the car GST-free to an eligible person, the car dealer cannot claim a GST credit.

**QUICK REFERENCE FLOW CHART**

This flow chart will help you work out if you are eligible to purchase a car GST-free under GST law.



## MORE INFORMATION

To obtain a copy of our publications or for more information:

- phone **13 28 66**
- tax practitioners phone **13 72 86**
- visit our website at **[www.ato.gov.au](http://www.ato.gov.au)**
- obtain a fax by phoning **13 28 60**, or
- write to us at **GPO Box 9935 in your capital city**.

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

## OUR COMMITMENT TO YOU

We are committed to providing you with advice and information you can rely on.

We make every effort to ensure that our advice and information is correct. If you follow advice in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it. However, we will not charge you a penalty or interest if you acted reasonably and in good faith.

If you make an honest mistake when you try to follow our advice and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

You are protected under GST law if you have acted on any GST advice in this publication. If you have relied on GST advice in this publication and that advice later changes, you will not have to pay any extra GST for the period up to the date of the change. Similarly, you will not have to pay any penalty or interest.

If you feel this publication does not fully cover your circumstances, please seek help from the Tax Office or a professional adviser.

### **The information in this publication is current at July 2007.**

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at **[www.ato.gov.au](http://www.ato.gov.au)** or contact us.