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Annual private apportionment of GST

Find out if you can claim a portion of your GST credit on a purchase through annual private apportionment.

Last updated 1 November 2022

Eligibility



Find out if you are eligible to claim a portion of a GST credit on a purchase.

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Eligibility

Find out if you are eligible to claim a portion of a GST credit on a purchase.

Last updated 1 November 2022

Overview

Annual private apportionment can be used for GST credits on all purchases you make that are partly for business and partly for private purposes, unless:

- the business portion of the purchase relates solely to making **input-taxed supplies**
- any part of the purchase is a **reduced credit acquisition** – that is, a purchase that relates to making financial supplies that you can claim a reduced GST credit for.

If you make input-taxed financial supplies as a minor part of your business, you can use annual private apportionment for your purchases that relate to, making those supplies as long as you do not exceed the **financial acquisitions threshold**.

For more information about financial supplies and GST credits, see:

- **GST and financial supplies**
- *GSTR 2003/9 Goods and Services Tax: financial acquisitions threshold*
- *GSTR 2004/1 Goods and Services Tax: reduced credit acquisitions*

Accounting for the GST credit

If a purchase you make is partly for business purposes and partly for private use, you may be able to claim a portion of a GST credit.

There are 2 ways of accounting for the GST credit:

- calculate the portion of GST credit that you are entitled to and claim it on your monthly or quarterly activity statement
- claim the entire GST amount as a credit on your monthly or quarterly activity statement and make a single adjustment annually.

This second option with a single adjustment, is called annual private apportionment. Your adjustment to your **current activity statement** will either increase the amount of GST you are liable to pay, or reduce your GST refund for the tax period you make the adjustment in.

Who can use annual private apportionment

You can choose to use annual private apportionment if you are:

- a small business with an annual turnover of less than \$10 million, or
- an enterprise (that is not a business) with a **GST turnover** of \$2 million or less.

You can only use annual private apportionment if you lodge your GST returns on a quarterly or monthly basis, not if you pay GST by instalments or report GST annually.

For more information about GST credits, see **Small business entity concessions**.

GST groups

The representative of a **GST group** can only choose to use annual private apportionment if each member of the group satisfies the eligibility criteria.

Any decision made by the representative member to use annual private apportionment, or to stop using it, applies to each member of the GST group.

Applying annual private apportionment

How to apply annual private apportionment on your activity statement.

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Overview

If eligible to use annual private apportionment at any time, you can do so at any time. You can start at the beginning of the next tax period for which an activity statement is due.

You don't need to notify us if you choose to use annual private apportionment, however you must keep records that include both of the following:

- the date you chose annual private apportionment
- the date it took effect.

Example: Date of effect of annual private apportionment

Daniella reports and pays GST monthly, and her November activity statement is due on 21 December.

If Daniella decides at any time between 22 November and 21 December that she wants to use annual private apportionment, the date of effect is 1 November.

Contact us

If you want your apportionment to take effect from the start of another tax period, you need to request our permission.

You can contact us using [Online services for business](#) or [Online services for agents](#) and following these steps:

1. Select the **Communication tab** and then either **Secure mail** or **Practice mail**.
2. Select **New**.

3. In the **Topic** field, select **View more topics** from the drop-down list.
4. In the **Other topics** list, select **GST**.
5. Select the subject **Other Sales, Purchases or Tax invoice enquiry** from the drop-down list.
6. Complete all the required details and click submit.

Your registered agent can also apply on your behalf using **Online services for agents**.

Alternatively, you can write to us at:

- **Australian Taxation Office**
PO Box 3524
ALBURY NSW 2640
- Fax: **1300 139 031**

Make sure you include the following details:

- the name of your business
- your Australian business number (ABN)
- the date you would like your apportionment to take effect (the date of effect must be the first day of one of your tax periods)
- a brief reason for your request
- you must sign your request.

If your request is approved, your previous activity statements may need to be revised.

If your request is disallowed and you are not satisfied with this decision, you can ask us to review it.

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Calculate your GST credits

Work out how to calculate your GST credits.

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Amount of GST credit

When using annual private apportionment, you can claim a credit for the GST on all purchases with a business-related component, then make an annual adjustment.

Example: Amount of GST credit

George lodges his activity statement on a quarterly basis and has chosen to use annual private apportionment.

George purchases telephone services from a local telephone company. He pays \$220 for these services (including \$20 GST) and receives a tax invoice on the day of purchase. He anticipates his phone use will be 30% business and 70% private. The business component does not relate to making input-taxed supplies.

George claims a \$20 GST credit for the purchase on the first activity statement he lodges after purchasing the services.

If George had not chosen to use annual private apportionment, he would only be entitled to a GST credit of \$6 (30% of \$20).

As George has claimed a \$20 GST credit, he will need to make an increasing adjustment on a [future activity statement](#).

Input-taxed sales

If a business-related purchase partly relates to **making input-taxed sales**, use the following formula to work out the amount of GST credit you can claim:

$$\text{(Full GST credit)} \times \text{(Extent of the non-input-taxed purpose \%)} \times \text{(Extent of payment \%)}$$

In this formula:

- **Full GST credit** is the amount of GST credit you would be able to claim if
 - you made the purchase solely for business purposes
 - you provided (or were liable to provide) all of the payment for the purchase

- the purchase did not relate to making input-taxed supplies.
- **Extent of the non-input-taxed purpose** is the portion of the purchase that does not relate to making input-taxed supplies, expressed as a percentage of the total purchase.
- **Extent of payment** is the amount you pay (or are liable to pay) for the purchase, expressed as a percentage of the total purchase price.

Example: Amount of GST credit if the purchase relates to making input-taxed supplies

Maya has several businesses, one of which involves renting out residential premises. She has chosen to use annual private apportionment.

Maya purchases telephone services from a local telephone company. She pays \$220 for these services including \$20 GST and she pays the full purchase price. Maya anticipates she will use the services for:

- regular business activities (30%)
- private purposes (55%)
- her renting out of residential premises (15%).

Maya's GST credit must take into account the proportion that relates to renting out her residential property so she uses the formula:

$$\text{(full GST credit)} \times \text{(extent of the non-input-taxed purpose)} \times \text{(extent of payment)}$$

$$\$20 \times 85\% \times 100\% = \$17$$

Maya can claim a GST credit of \$17.

If Maya had not chosen to use annual private apportionment, she would only be able to claim a GST credit of \$6 (30% of \$20).

Maya will need to make an increasing adjustment on a [future activity statement](#) because she has claimed a \$17 GST credit.

Importations

Annual private apportionment applies to importations in a similar way as it does to purchases. To calculate the amount of the GST credit you can claim for an importation you make partly for business and private purposes, use the following formula:

$$(\text{Full GST credit}) \times (\text{Extent of the non-input-taxed purpose \%})$$

In this formula:

- **Full GST credit** is the amount of the GST credit you would be able to claim if the importation:
 - was solely for business purposes
 - did not relate to making input-taxed supplies.
- **Extent of non-input-taxed purpose** is the portion of the importation that does not relate to making input-taxed supplies, expressed as a percentage of the total of the importation.

The amount you pay or are liable to pay for the importation is not relevant. If you make input-taxed financial supplies as a minor part of your business, you can apply annual private apportionment to your importations that relate to, making those supplies as long as you do not exceed the **financial acquisitions threshold**.

For more information about importations, see:

- GST on imported services and digital products
- GST on low value imported goods

Cars

If you purchase a car, the GST credit you can claim is limited to one-eleventh of the **car limit for depreciation**.

Insurance

If you make a claim under an **insurance policy**, you must advise the insurer of the amount of GST credit you can claim for the insurance premium. This allows the insurer to work out their entitlement to claim an adjustment that may arise, on any settlement of a claim under your insurance policy.

Making your annual adjustment

Last updated 1 November 2022

Work out how to calculate your increasing annual adjustment.

When to make your adjustment

Annual increasing adjustments must be made on either:

- your activity statement that covers the period when your income tax return is due (for the income year covering the tax period you claimed your GST credit in)
- an earlier activity statement.

Example: When to make your annual increasing adjustment

Javier lodges his activity statement on a quarterly basis and uses annual private apportionment.

He claims a full GST credit for his 1 July to 30 September 2016 quarterly tax period.

Javier is required to lodge an income tax return for the period 1 July 2016 to 30 June 2017. The due date for this income tax return is 31 October 2017. This due date falls within the quarterly tax period 1 October to 31 December 2017.

Javier must make his annual increasing adjustment in the activity statement which covers the tax period 1 October to 31 December 2017.

If you are not required to lodge an income tax return, you must make your annual increasing adjustment in your **activity statement** for the tax period up to the 31 December of the financial year. This date starts after the tax period where you have claimed the full GST credit.

In certain circumstances your annual increasing adjustment will need to be brought forward to a specific tax period. You or your legal representative, will need to make an annual increasing adjustment in the activity statement that relates to your concluding tax period if:

- you no longer carry on an enterprise
- your GST registration is cancelled
- you go into liquidation, receivership, or no longer exist as an enterprise
- you become bankrupt
- you die.

Calculating your adjustment

To calculate the amount of your annual increasing adjustment, you will need to:

1. Work out the amount of the **GST credit you have received or will receive** for your purchase.
2. Work out the amount of **GST credits you're entitled to claim**. This is the amount of GST credit you would have received if you had not chosen annual private apportionment. Any other adjustments in the price of purchase, such as a decreasing adjustment, may be considered in this step.
3. Subtract the amount you worked out at step 2 from the amount at step 1.

Example: Calculating your annual increasing adjustment

Elena lodges her activity statement on a quarterly basis and uses annual private apportionment.

When filling out her activity statement to make her annual adjustment Elena uses the steps above to work out the adjustment for phone services as follows.

- The GST credit you received for the purchase is \$20.
- The amount Elena would have been entitled to claim is \$6.

- Elena's annual adjustment is **\$14** (\$20 minus \$6)

After the adjustment of \$14, the amount of GST credit Elena receives overall on the purchase (\$20 minus \$14) is equal to the amount she would have received if she had not chosen annual private apportionment (\$6).

In the same financial year, Elena also purchased a computer, partly for private purposes and partly for business purposes, so she must also make an adjustment to account for that.

She calculates the increasing adjustment for the computer to be \$10, and adds this to her adjustment for the phone services to report the total of \$24 (\$14 + \$10) on her activity statement.

If you have applied annual private apportionment to several purchases, you must:

- calculate an annual increasing adjustment for each purchase
- add the adjustments together
- report the total on the activity statement.

When you calculate your annual increasing adjustment in step 2, you must consider any other adjustments that occur with your purchase. This includes:

- adjustments that have arisen because of a change in the purchase price
- instances where the supplier has written off a bad debt.

Example: Purchases that have price adjustments

Rohit is registered for GST and has chosen to use annual private apportionment. In August he purchased a laptop partly for his manufacturing business (10%) and partly for private purposes (90%). The purchase price quoted was \$1,100. After receiving a tax invoice, Rohit claimed a full GST credit of \$100 on his next activity statement.

In December, Rohit received an invoice showing that the price of the laptop had increased by \$110. As a result, Rohit had to pay a

total of \$1,210. Included in this amount was \$110 GST (\$1,210 divided by 11).

Rohit must now make a decreasing adjustment of \$10 to account for the fact that he only claimed a GST credit of \$100. He makes this decreasing adjustment on his next activity statement.

Working out the annual increasing adjustment

To work out his annual increasing adjustment, Rohit needs to take into account both the GST credit he's claimed, and the **decreasing adjustment** that he made due to the price increase.

Rohit uses steps works out his annual increasing adjustment as follows:

1. The GST credit claimed for the purchase is \$100.
2. The decreasing adjustment of the price increase is \$10.
3. Total GST credit Rohit received for his purchase is \$110.

Calculating the GST credits and annual increasing adjustment Rohit would have received

Rohit purchased the item only partly for business purposes (10%). If he had **not** elected to use annual private apportionment, he would have received a GST credit, a decreasing adjustment only for the business portion of the GST included in the original purchase price, and the subsequent price increase. The **decreasing adjustment** will need to be added to the calculated GST credit amount received.

Using steps 1–3 above and the [formula to work out GST credit](#), the calculations for the amount Rohit would have received, if he had **not used** annual private apportionment for his purchase are:

13. The GST credit Rohit would have claimed for his purchase is \$10 (that is, the GST credit claimed for his laptop of \$100 × 10%).
14. The total amount of GST credits Rohit would have been entitled to claim for his purchase is \$11, made up of:
 - The initial GST credit (\$10) × the extent of the non-input-taxed purpose (10%) = \$1. This is the total decreasing adjustment amount.

- \$10 (GST credit for purchase) + \$1 (decreasing adjustment) = \$11.

15. Rohit's amount of annual increasing adjustment is: \$99 (\$110 minus \$11).

The GST credit Rohit received (\$100) plus the decreasing adjustment he had (\$10) minus the annual increasing adjustment (\$99) equals the amount Rohit would have received if he did not use annual private apportionment (\$11).

Below is another scenario relating to Rohit's annual increasing adjustment that focuses on price change.

Example: Prices changed after you made your annual increasing adjustment

Rohit is registered for GST and has chosen annual private apportionment.

After making his annual increasing adjustment, Rohit receives a rebate of \$220 for the laptop he purchased. After the rebate, Rohit has effectively paid a total of \$990 for his purchase (\$1,210 minus \$220). This amount includes \$90 GST.

As Rohit purchased the item partly (10%) for business purposes, he can claim a GST credit of \$9 (10% of the \$90 GST included in the amount he effectively paid).

From step 2 listed in the previous example (GST credit and previous adjustment received of \$11), Rohit calculates his annual increasing adjustment by subtracting the total amount worked out at step 2 from the amount worked out at step 1, that is \$11 minus \$9 = \$2.

Rohit must make the increasing adjustment on the activity statement that covers the date on which he became aware of the rebate.

If your actual use of the purchase for private purposes differs from the estimate you used to calculate your annual increasing adjustment, and you paid more than \$1,100 (including GST) for the purchase, you may need to make further adjustments.

For more information about making adjustments, see:

- *GSTR 2000/24 Goods and services tax: Division 129 – making adjustments for changes in extent of creditable purpose*
- *GSTR 2006/4 Goods and services tax: determining the extent of creditable purpose for claiming input-tax credits and for making adjustments for changes in extent of creditable purpose*

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Stopping annual private apportionment

There are the 3 reasons you would stop using annual private apportionment.

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Choosing to cancel

You can stop using annual private apportionment at any time. If you do, the cancellation will take effect from the start of the tax period for which your next activity statement is due.

You don't need to notify us of your decision but you must keep a record of your cancellation, including the date you decided to stop using annual private apportionment.

If your election to use annual private apportionment is cancelled in the financial year that you claimed the GST credit for the purchase, you must make an annual increasing adjustment on your activity statement either in:

- the tax period in which the cancellation takes effect
- an earlier tax period that you choose.

However, if the cancellation takes effect from 1 July in any year, your annual increasing adjustment will be made at the time you would have made it had your election not been cancelled.

Example: Date annual private apportionment ceases

Jasmine lodges her activity statement on a quarterly basis and uses annual private apportionment. She claims a GST credit on her purchases in the tax period ended 30 September 2016.

In February 2017 Jasmine decides not to use annual private apportionment any more. Her cancellation will take effect from the beginning of her current tax period. Her March 2017 activity statement period is 1 January 2017 to 31 March 2017, so she cannot use annual private apportionment from 1 January 2017.

Jasmine will need to complete her activity statement for the March 2017 quarter without using annual private apportionment. Jasmine will also have to account for her outstanding annual increasing adjustment in this activity statement.

We disallow your use

We can disallow your use of annual private apportionment if we find you have not complied with one or more of your tax obligations. Annual private apportionment will cease to have effect from the start of the tax period in which you are notified of the disallowance.

Where your choice to use annual private apportionment is disallowed in the financial year where you claimed the GST credit for the purchase, you must make an annual increasing adjustment on your activity statement either in:

- the tax period in which the disallowance takes effect
- an earlier tax period that you choose.

However, if the disallowance takes effect from 1 July in any year, your annual increasing adjustment will be made at the time you would have made it had your election not been disallowed.

If your annual private apportionment is disallowed and you are not satisfied with this decision, you can ask us to review it by [submitting a request on online services](#).

No longer eligible

If you cease being a small business entity for an income year, your annual private apportionment is taken to have ceased on the first day of that income year.

If on 31 July you are carrying on an enterprise and your GST turnover exceeds \$2 million, your annual private apportionment is taken to have ceased from the start of that financial year.

You must make any outstanding annual increasing adjustment at the time you would have made it had your turnover not exceeded the relevant threshold.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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