# GST and second-hand goods

How to calculate and report GST on sales and purchases of second-hand goods.

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These instructions will help you calculate and report goods and services tax (GST) on sales and purchases of second-hand goods.

The term 'second-hand' means 'previously used' or 'not new'.

Second-hand goods do not include the following:

- precious metal
- goods to the extent that they consist of gold, silver, platinum or any other substance which, if it were of the required fineness, would be precious metal
- animals or plants.

From 1 April 2017, the definition of second-hand goods was amended to clarify that goods containing gold, silver or platinum are not second-hand goods.

However, collectibles and antiques (containing precious metals) that are bought and sold as such may still qualify as second-hand goods. For example, a collector's coins may have some gold content worth $50 but are sold as collectables for $30 in the hope they may increase in value as collectables over time.

**See also:**

- Reverse charge in the precious metals industry – Second-hand goods
- GSTR 2000/8 *Goods and services tax: special credit for sales tax paid on stock*

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# Completing GST items on your activity statement

Methods you can use to complete the relevant GST items on your activity statement.

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You may use either the **accounts method** or the **calculation worksheet method** to complete the relevant GST boxes on your activity statement for the reporting period.

The amounts you report on your activity statement will depend on the accounting basis you have chosen or are otherwise required or permitted to use.

You can account on a cash basis or a non-cash basis.

See the detailed examples for using the accounts method and calculation worksheet method.

**See also:**

- Completing your BAS for GST
- Choosing an accounting method

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# Working out your GST credits

Calculate your GST credits using the direct approach or global accounting method.

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> Global accounting method

You can claim GST credits for your purchases of second-hand goods even if the price you paid did not include GST. You can do this for second-hand goods that you purchase for resale from sellers who do not charge GST in the price of the goods.

There are two ways to calculate these GST credits:

- direct approach
- global accounting method.

The system you use depends on whether you sell the second-hand goods as single items, or divide them into separate parts.

These rules do not apply if the seller charges GST for goods you purchase for resale. Use the special rule for this exception.

**See also:**

- **GST definitions**: GST credit, sales, purchases
- Purchases of second-hand goods: $1,000 or less

## Direct approach

You can use the direct approach to calculate and claim GST credits on your purchase of second-hand goods where any of the following apply:

- you resell the second-hand good as a single taxable item
- you divide the second-hand goods up and sell them separately, provided that
  - the amount you paid for the second-hand goods was separately itemised
  - your division of the goods on resale either corresponds to that itemisation or does not involve further divisions
- you purchased the second-hand goods for $300 or less and you divide the goods for resale.

You cannot use the direct approach if:

- the sale of the second-hand goods to you is taxable or GST-free
- you hire the second-hand goods
- you import the goods
- your subsequent sale or exchange of the goods is not taxable
- you use the global accounting method.

## Global accounting method

Generally, you **must** use the global accounting method to account for purchases of second-hand goods, if:

- you paid more than $300 for the purchase
- you divide the second-hand purchase into two or more parts before you sell them.

However, you can **choose** whether or not to use the global accounting method for purchases costing $300 or less.

There is a special rule for certain second-hand goods purchased for $1,000 or less.

Do not use the global accounting method where any of the following apply:

- your payment for a batch of second-hand goods is itemised and your division of the goods on resale corresponds to that itemisation
- the sale of the goods to you is GST-free or taxable
- you import the goods
- you hire the goods
- your sale of the goods is not a taxable sale.

**See also:**

- Purchases of second-hand goods: $1,000 or less

### How global accounting works

When you use the global accounting method, you accumulate GST credits as you purchase eligible items for resale. You cannot claim these GST credits directly at **1B**. Instead, use them to cancel out the GST you would otherwise pay to us on the items you sell.

Add your GST credits to any available GST credits that you have carried over from a previous reporting period.

As you subsequently sell the second-hand goods, the amount of your available GST credits is reduced by the GST on the sale, which is 10% of the value of the sale (one-eleventh of the price you charge on the sale). You should only report GST at **1A** (GST on sales) on your activity statement when the amount of GST on sales exceeds the amount of available GST credits.

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# Claiming your GST credits

How to claim GST credits and what records you need to keep.

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The way you claim GST credits differs for Purchases for $300 or less and Purchases for more than $300.

In order to claim GST credits, there are Records you need to keep.

## Purchases for $300 or less

If you account on a non-cash basis and you purchase second-hand goods for $300 or less, you can claim the GST credit for the purchase in the reporting period when you first made a payment or received an invoice for the purchase.

This does not apply if you choose to claim your credit in the reporting period in which you sell your goods.

If you account on a cash basis, you can claim the GST credit in each of the reporting periods that you paid for the purchase.

Report the amount of the GST credit at **1B** (GST credits) on your activity statement.

Using the same rules, report amounts for purchases at **G11** (non-capital purchases) on your activity statement.

**See also:**

- GST definitions: payment

## Purchases for more than $300

You **must** wait until you sell the item you have purchased to claim the GST credit if you paid, or are liable to pay, more than $300 for the second-hand item you purchased. You can also choose to wait until you sell the item before claiming your GST credit even if you pay $300 or less for the second-hand item.

If you account on a non-cash (accruals) basis you can claim the GST credit for the second-hand item you purchased in the reporting period you first:

- receive any part of the payment for the sale of the item
- issue an invoice for the item you sold.

If you account on a cash basis, you can claim the GST credit for the purchase in each reporting period you receive a payment for the sale of the item.

Using the same rules, you report amounts for purchases at **G11** (non-capital purchases) on your activity statement.

Report at **1B** (GST credits) the lesser of:

- one-eleventh of the amount you paid or are liable to pay to purchase the goods
- the amount of GST in the price of the item when sold.

Report at **G11** (non-capital purchases) on your activity statement the lesser of:

- the amount you paid, or are liable to pay, to purchase the goods
- the amount you are due to receive when you resell the goods.

If you use the calculation worksheet method, do not report any amount at **G14** (acquisitions with no GST in the price).

## Records you need to keep

In order to claim a GST credit, you must have the appropriate documentation. Although a tax invoice is not required, you must keep a record containing:

- the name and address of the seller of the goods
- a description of the goods (including their quantity)
- the date that you purchased the goods
- the amount you paid for the goods.

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# When to account for GST

Understand when you need to account for GST payable.

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Where there is an amount of GST to be shown at **1A** on the activity statement and you account for GST on a non-cash (accruals) basis, you account for any GST payable in the reporting period in which you first:

- receive any part of the payment for the sale
- issue an invoice for the sale.

If you account for GST on a cash basis, account for any GST to be shown at **1A** in the reporting period in which you receive payment, and to the extent of the payment, for the sale.

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# Purchases of second-hand goods: $1,000 or less

How to account for purchases of second-hand good of $1,000 or less.

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You may choose to use the global accounting method for specified second-hand goods for which you have paid $1,000 or less, even if some or all of the goods were sold to you as a taxable sale.

For a list of relevant second-hand goods and the circumstances that must be satisfied in order to apply this rule, refer to SHG 2000/1 *A New Tax System (Goods and Services Tax) Rules for Applying Subdivision 66-B Determination (No. 1) 2000*.

The explanatory statement accompanying the determination contains information on how to complete the relevant GST labels on your activity statement where you have chosen to apply the determination.

**See also:**

- SHG 2000/1 *A New Tax System (Goods and Services Tax) Rules for Applying Subdivision 66-B Determination (No. 1) 2000*

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# Examples

Examples of how to report sales and purchases of second-hand goods on your activity statement.

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You need to report sales and purchases of second-hand goods on your activity statement in accordance with the instructions at *GST – completing your activity statement* (NAT 7392). The examples below demonstrate how to do this using the Accounts method and Calculation worksheet method.

## Accounts method

**Example: Using the accounts method**

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Scott is a second-hand goods dealer who purchases second-hand goods that are eligible for GST credits under the global accounting method. Scott accounts for GST on a cash basis. Scott also purchases second-hand goods that he divides before selling.

Scott uses the global accounting method so that he doesn't have to keep records of what goods have been divided before selling. Scott keeps only one set of records to determine the amount of GST payable at the end of each tax period. He also receives full payment at the time of making each sale.

**First reporting period**

Scott has the following transactions for the first reporting period:

- purchases of $9,900, of which one-eleventh (that is, $900) is available as GST credits
- sales of $8,800, of which one-eleventh (that is, $800) is GST payable on sales.

At the end of the tax period, Scott works out any GST liability by offsetting his total available credits of $900 against his total GST payable of $800. Scott doesn't have to pay any GST on sales of second-hand goods as his total credits ($900) are more than his total GST payable ($800).

However, Scott is still required to complete and lodge his activity statement showing the purchases and sales for the relevant reporting period.

Scott carries the credit balance of $100 ($900 – $800) over to the next reporting period.

Scott would report the following amounts on his activity statement:

- $8,800 at **G1**
- $9,900 at **G11**.

Since the available credits are more than the GST payable on sales, Scott would not report any amount for the sale of second-hand goods at **1A**.

Scott would not report any amount for GST credits at **1B**.

**Second reporting period**

Scott has the following transactions for the next tax period:

- purchases of $2,200, of which one-eleventh (that is, $200) is added to his available credits, and
- sales of $13,200, of which one-eleventh (that is, $1,200) is GST payable.

Scott has an opening credit balance of $100, carried over from the last reporting period.

At the end of the reporting period, Scott works out any GST liability by offsetting his total credits of $300 (that is, $200 + $100) against his total GST payable on sales of $1,200. Scott has to pay $900 GST as his total GST payable on sales ($1,200) is more than his total available credits ($300). Scott is required to complete and lodge his activity statement showing the purchases and sales for the reporting period, as well as calculating the amount of GST payable.

Scott would report the following amounts on his activity statement:

- $13,200 at **G1**
- $2,200 at **G11**.

Since the available credits are less than the GST payable on sales, Scott would report $900 ($1,200 − $300) at **1A**.

Scott would not report anything at **1B**.

## Calculation worksheet method

**Example: Using the calculation worksheet method**

Scott is a second-hand goods dealer who purchases second-hand goods that are eligible for GST credits under the global accounting method. Scott accounts for GST on a cash basis. Scott also purchases second-hand goods that he divides before selling.

Scott uses the global accounting method so that he doesn't have to keep records of what goods have been divided before selling. Scott keeps only one set of records to determine the amount of GST payable at the end of each tax period. He also receives full payment at the time of making each sale.

**First reporting period**

Scott has the following transactions for the first reporting period:

- purchases of $9,900, of which one-eleventh (that is, $900) is available as GST credits
- sales of $8,800, of which one-eleventh (that is, $800) is GST payable on sales.

Scott reports the following amounts on his calculation worksheet:

- $8,800 at **G1**
- $9,900 at **G11**
- $1,100 at **G7** = **G11** ($9,900) + **G18** ($0) − **G1** ($8,800).

The amount Scott reports at **G7** is the amount Scott will need to report at **G18** for the next period.

Scott has no GST or GST credits to report at **1A** and **1B**.

**Second reporting period**

Scott has the following transactions for the next tax period:

- purchases of $2,200, of which one-eleventh (that is, $200) is added to his available credits, and
- sales of $13,200, of which one-eleventh (that is, $1,200) is GST payable.

Scott reports the following amounts on his calculation worksheet:

- $13,200 at **G1**
- $2,200 at **G11**
- $1,100 at **G18** (carried forward credit of $100 × 11).

Scott does not have to report an amount at **G7** as amounts reported at **G11** and **G18** do not together exceed the amount reported at **G1**. Accordingly, Scott will not report an amount at **G18** in the next reporting period.

After completing the calculation worksheet, Scott will find that the amount he has to report at **1A** is $900. Scott would not report anything at **1B**.

**See also:**

- How to complete your activity statement
- GSTR 2005/3 *Goods and services tax: arrangements of the kind described in Taxpayer Alert TA 2004/9 – exploitation of the second-hand goods provisions to obtain input tax credits*
- GSTR 2000/8 *Goods and services tax: special credit for sales tax paid on stock*
- GSTD 2000/2 *Goods and services tax: can you claim input tax credits under Subdivision 66-A of the A New Tax System (Goods and Services Tax) Act 1999 for goods that have been incorporated into second-hand goods prior to 1 July 2000?*
- How we can help

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