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Definition of motor vehicles for GST purposes

The term motor vehicle (for GST purposes) means a motor-powered road vehicle.

For GST purposes, a car is a motor vehicle designed to carry a load of less than one tonne and less than 9 passengers. The term car does not include a motorcycle or similar vehicle.

For GST purposes, a motor vehicle does not include a road vehicle where both of the following apply:

- The main function of the vehicle is not related to public road use.
- The vehicle's ability to travel on a public road is secondary to its main function.

Examples of such vehicles include road rollers, graders, tractors and earthmoving equipment.

GST when purchasing a motor vehicle

If you use a motor vehicle solely in carrying on your business and you're registered for GST, you're generally entitled to claim a credit for the GST included in the price of the vehicle, provided you have a tax

invoice. There are rules for luxury car purchases, leased vehicles and purchasing second-hand. See [Purchasing a motor vehicle](#).

GST when disposing of a motor vehicle

You need to account for GST when you dispose of a motor vehicle if the disposal is a taxable sale. There are rules for luxury cars, trade-ins, disposal to an associate and disposal by a charity.

You may be entitled to a 'decreasing adjustment' (reduced GST payment) for the business use element if the vehicle was used for both business and private purposes, and for vehicles used for making financial supplies.

You may need to make an 'increasing adjustment' if you continue to hold a motor vehicle after your GST registration is cancelled. To work this out, see [Motor vehicles held when your GST registration is cancelled](#).

GST issues register

For more information and guidance, see:

- [Motor vehicle industry partnership](#) for guidance on issues identified during industry consultation in the past
- [GST issues registers](#) for issues from the GST issues registers that are not public rulings.
- [Public rulings](#) for issues from the GST issues registers that are public rulings.

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Purchasing a motor vehicle

How GST applies when purchasing a motor vehicle.

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Claiming GST credits – vehicle used solely for business

You're generally entitled to claim a GST credit for the GST included in the vehicle price, provided you have a tax invoice, and:

- you use a motor vehicle **solely** in carrying on your business
- you're registered for GST.

You must include the amount you paid for the motor vehicle at label **G10** (capital purchases) on your activity statement.

Claiming GST credits – vehicle used partially for business

If you use a motor vehicle partly in carrying on your business, you're generally entitled to claim a partial GST credit based on how much you use the motor vehicle in carrying on your business.

You must include only the proportion of the cost of the motor vehicle that relates to business use at label **G10** on your activity statement.

If you use the accounts method to work out your GST amounts, you include the GST payable on the purchase of the motor vehicle (or the proportion that relates to business use) at label **1B**.

Purchasing a car for more than the car limit

Special rules apply for cars with a value exceeding the car limit. The car limit is used to calculate depreciation deductions under the income tax law. More information is available to help you work out your car cost limit for depreciation.

Generally, if you purchase a car and the price is more than the car limit, the maximum amount of GST credit you can claim is one-eleventh of that limit. For 2024–25, the maximum GST credit you can claim is \$6,334 (that is, $1/11 \times \$69,674$). This limit also applies to cars which are fuel efficient.

If you purchase a car with a price that is more than the car limit, you include only the amount of the car limit (or the proportion of the car limit relating to business use) at label **G10**.

If you use the accounts method to work out your GST amounts, include one-eleventh of the car limit (or the proportion that relates to your business use) at label **1B** (GST on purchases). If you use the calculation sheet method to work out your GST amounts, use the calculation sheet to work out how much to include at label **1B**.

Example: purchasing a new car for the business

Darren purchases a new non fuel-efficient car for \$91,315 (including \$8,091 GST and \$2,480 luxury car tax) on 12 July 2024. Darren plans to use the car 100% in carrying on his business. As the car limit for the 2024–25 financial year is \$69,674, the maximum GST credit Darren can claim is \$6,334 ($1/11 \times \$69,674$).

Darren reports \$69,674 at label **G10** on his activity statement and includes a GST credit of \$6,334 at label **1B**.

If Darren planned to use the car only 50% in carrying on his business, he would report \$34,837 at label **G10** and include a GST credit of \$3,167 (50% of \$6,334) at label **1B**.

Darren cannot claim a credit for the [luxury car tax](#) paid on the car.

Exceptions

In certain circumstances you can claim a GST credit for the full amount of GST included in the price of a car even if the car costs more than the car limit.

The car must be used in carrying on your business and at least one of the following conditions must be met:

- you hold the car solely as trading stock, other than holding the car for hire or lease
- you carry out research and development for the manufacturer of the car
- you export the car in circumstances where the export is GST-free
- it is an emergency vehicle
- it is a commercial vehicle that is not designed for the principal purpose of carrying passengers
- it is a motor home or campervan
- it is a vehicle specifically fitted out for transporting disabled people seated in wheelchairs (unless the sale of the car was GST-free).

Purchasing a luxury car

A luxury car is a car that has a GST-inclusive value that is higher than the luxury car tax threshold. You cannot claim a credit for any luxury car tax you pay when you purchase a luxury car, regardless of how much you use the car in carrying on your business.

Leasing a car

If you lease a car, you may be entitled to claim a GST credit for the GST included in each lease payment, based on the amount you use the car in carrying on your business. The amount of GST credit you can claim for GST included in the lease payments is not limited to one-eleventh of the car limit.

Purchasing a second-hand motor vehicle

If you purchase a second-hand motor vehicle from someone who is not registered for GST and you are purchasing the vehicle to sell or exchange it, you may be entitled to claim a GST credit.

If the cost of the vehicle is more than \$300, you can claim the GST credit when you sell the vehicle, provided the sale of the vehicle by you is a taxable sale. The credit is the lesser of either:

- one-eleventh of the amount you paid for the vehicle
- the amount of GST payable when the vehicle is sold.

If you purchase a second-hand vehicle from someone who is not registered for GST and you don't plan to sell or exchange the vehicle, you cannot claim a GST credit.

Work out how to account for GST when you **dispose of a motor vehicle**.

For more information and examples of GST, see:

- **GST and the disposal of capital assets**
- *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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Disposing of a motor vehicle

How GST applies when disposing of a motor vehicle.

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When to account for GST on disposal

Disposal includes selling the motor vehicle, trading in the motor vehicle or transferring ownership of the motor vehicle to an individual, including a company director or to another enterprise.

You generally have to account for GST when you dispose of a motor vehicle if the disposal is a taxable sale. This applies even if the vehicle was purchased before 1 July 2000 or the vehicle is sold to an individual who is not in business (a private sale). You will generally be liable to pay GST of one-eleventh of the sale price of the vehicle.

GST is not payable on the disposal of privately owned assets. For example, a sole trader selling a motor vehicle which has not been used for business purposes and on which no GST credit has previously been claimed should not include GST in the sale price.

Reporting motor vehicle disposals

If you are registered for GST and you receive any payment (monetary or non-monetary) when you dispose of a motor vehicle that you have used solely or partly for business, you must report the value of the payment at label **G1** on your activity statement for the relevant tax period.

If you disposed of a motor vehicle but did not record this at label **G1** and label **1A** on your activity statement, under certain conditions you can correct the omission in your next activity statement.

Motor vehicle used to make financial supplies or for private purposes

You may be entitled to a decreasing adjustment when you dispose of a motor vehicle that you purchased or used either:

- solely or partly for making financial supplies

- partly for business and partly for private purposes.

The decreasing adjustment does not reduce the amount of GST payable on the sale of the motor vehicle but reduces the amount of GST you are liable to pay for the tax period.

The decreasing adjustment does not apply to either of the following:

- motor vehicles purchased before 1 July 2000 (the introduction of GST)
- motor vehicles purchased from 1 July 2000 to 23 May 2001 on which you could not claim GST credits (due to the GST Transitional Act).

Find out more about [decreasing adjustments and when to charge GST](#).

Motor vehicle trade-ins

If you are registered for GST and you trade in a vehicle used solely or partly for business, you must account for GST because this is a taxable sale.

The trade-in figure should be included on your activity statement at label **G1** and the amount of GST placed at label **1A**. If requested, you will also need to provide a tax invoice to the motor vehicle dealer showing the value of the trade-in and the GST payable. The trade-in amount must be reported on your activity statement, even if the vehicle you are trading in was originally purchased before the introduction of GST.

Disposing of a motor vehicle to an associate

If you sell or transfer ownership of a motor vehicle to an associate for less than the market value, you must calculate GST as though the vehicle had been sold for its market value.

Example: GST on car sold below market value

Sample Pty Ltd sells computers and is registered for GST. The company sells a second-hand motor vehicle with a market value of \$22,000 to one of the directors for \$2,200. Even though the director only paid \$2,200, GST must be calculated as though the director paid \$22,000.

GST payable by Sample Pty Ltd:

$$= \$22,000 \times 1/11$$

$$= \$2,000.$$

Disposal of a motor vehicle by a charity

If you are a charitable institution, a trustee of a charitable fund, a gift-deductible entity or a government school and you dispose of a motor vehicle, the disposal will be GST-free if the payment you receive is either of the following:

- less than 50% of the GST-inclusive market value of the motor vehicle
- less than 75% of the amount you paid to purchase the vehicle being sold (this is generally the original cost of the vehicle).

Find out more about [GST and motor vehicle trade-ins for charities](#).

Disposing of a luxury car

If you are registered for GST, you may have to pay luxury car tax when you sell a luxury car. A luxury car is a car that has a GST-inclusive value that is higher than the luxury car tax threshold. The amount of luxury car tax payable on the sale that you make is reduced by the amount of any luxury car tax previously payable.

Work out what to do if you cancel your registration but hold on to your motor vehicle.

Motor vehicles held when your GST registration is cancelled

Work out the amount of GST you are liable to pay if you cancel your GST registration and you still hold a motor vehicle.

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If you cancel your GST registration and you still hold a motor vehicle on which you have claimed or are entitled to claim GST credits, the amount of GST you are liable to pay is subject to an increasing adjustment.

The increasing adjustment takes into account the market value and percentage of business use of the vehicle at the time your GST registration is cancelled.

The GST payable is $1/11 \times (\text{market value of vehicle} \times \% \text{ of business use})$.

Example: car sold after ceasing business

Mr Sample ceases business and cancels his GST registration. He has a motor vehicle on hand that has a market value of \$22,000. The vehicle is used 80% for business purposes.

The GST payable by Mr Sample is $1/11 \times (\$22,000 \times 80\%) = \$1,600$.

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