



Motor vehicle and transport

Detailed information about GST and the motor vehicle and transport industry.

GST and taxis



Practical advice to help taxi drivers correctly report business income and expenses for GST.

GST and motor vehicles



How GST applies to the purchase or disposal of a motor vehicle.

GST and vehicles purchased under novated leases



Describes how novated leases work and how GST applies if you enter into a novated lease arrangement.

Motor vehicle incentive payments



Information about the GST and LCT implications of a motor vehicle incentive payment (MVIP).

GST for driving schools and driving instructors



QC 28612

GST and taxis

Practical advice to help taxi drivers correctly report business income and expenses for GST.

Last updated 11 September 2019

Fares paid to taxi drivers by passengers include goods and services tax (GST). If you're a taxi driver and you're not employed by someone else, you must:

- register for GST – regardless of how much you earn
- only claim GST credits related to your work
- lodge business activity statements (BAS) monthly or quarterly (you can't choose to lodge annually)
- pay your net GST

The net GST amount is the GST included in all fares that you've taken, minus any input tax credits for the GST included in your business purchases, including bailment payments.

You may have to use the cents per kilometre earnings rate in preparing your BAS if you don't have proper records of your earnings.

If you sell a taxi licence or plate, the transaction may be GST-free.

Note: If you provide ride-sourcing services, for example you drive for Uber or GoCatch, this advice does not apply to you.

See also

- Ride-sourcing
- Registering for GST

Completing your BAS

This section covers issues specific to the taxi industry.

You need to use a business activity statement (BAS) to:

- report and pay the GST you've collected
- claim GST credits.

Find out about

- [GST reporting methods](#)
- [Reporting sales and purchases](#)
- [Amount to pay](#)

See also

- Business activity statements (BAS) – general instructions for completing your BAS

GST reporting methods

From 1 July 2017, Simpler BAS is the default reporting method for small businesses.


Taxi drivers must report GST using one of the following methods:

- Simpler BAS – this method allows you to only calculate and report G1, 1A and 1B in your BAS and pay your actual amounts quarterly.
- Pay a pre-determined GST instalment amount quarterly and report your actual GST information annually – to be eligible, you need to have reported actual GST amounts for at least four months (for example, two quarterly business activity statements) and you can't be in a net refund position.
- Full reporting – you must calculate and report all the GST labels in your BAS and pay your actual GST amounts quarterly.

Reporting annually is not available to taxi drivers.


Example of electronic Simpler BAS form

The following example of an electronic Simpler BAS form shows the three labels you need to complete.

 Example Simpler BAS form - Goods and services tax (GST) - complete labels: G1 - total sales, 1A - GST on sales, 1B - GST on purchases.

Example of paper Simpler BAS form

The following is an example of a paper Simpler BAS form. Complete G1, 1A and 1B and do not complete the other GST labels. Option 2 is not available.

 Blank example of paper BAS form for Simpler BAS reporting. Complete Option 1 or 2 or 3 (indicate one choice with an X). Option 1: Calculate GST and report quarterly Option 2: Calculate GST and report annually Option 3: Pay GST instalment amount quarterly.

Reporting sales and purchases

You must include income and expenses from all of your business activities, including taxi driving, on your BAS.

G1 Total sales includes all your income from:

- taxi takings total sales (for example, cash, credit cards, Cabcharge) including tolls and extras such as baggage handling
- tips
- any WorkCover payments you have received.

1B GST on purchases includes the GST on all purchases.

Reporting using Simpler BAS

To report using Simpler BAS you only need to report:

- G1 Total sales
- 1A GST on sales
- 1B GST on purchases.

You can contact us to change your GST reporting method.

Reporting using the full reporting method

If you have chosen the full reporting method:

- in **G1 Total sales** include all your income from:
 - taxi takings (cash, credit cards, Cabcharge, etc) including tolls and extras such as baggage handling
 - tips
 - any WorkCover payments you have received.
- in **G11 Non-capital purchases** include:

- the bailment payment or shift rent that you pay the taxi operator
- fuel, oil and car washes you purchase
- insurance payments
- uniforms (where they are normally tax deductible)
- business telephone expenses
- accounting fees
- payments without GST in the price (such as bank fees and license fees).

If you have chosen Option 3, there will be a figure in the box at **G21**. If you need to vary this amount, fill out the rest of Option 3.

Amount to pay

The figure at **9 Your payment or refund amount** is the amount you must pay. If the result is a negative number, this is your refund amount.

Find out about

- [Record-keeping requirements](#)

Taxi cents per kilometre earnings rate

The cents per kilometre earnings rate is the average amount of income earned by a taxi for the total kilometres travelled by the taxi in a year.

The rate includes GST. It does not take expenses into account. It only measures gross taxi takings per kilometre of distance travelled.

Taxi operators and drivers can use the cents per kilometre rate to:

- compare their performance to the rest of the taxi industry
- check that their tax records accurately reflect their income.

Tax agents and accountants can use the cents per kilometre rate to assist them in preparing tax returns and business activity statements for their clients.

We use the cents per kilometre rate in cases where taxi operators or drivers do not have proper records.

The rate has been developed in consultation with taxi industry participants.

See also

- [Benchmarks – Taxi drivers and operators](#)

Current rate

The latest rate developed is \$1.30/km

Selling taxi licences and plates

The sale of a business, including taxi plates and licences, is GST-free if the sale is of a going concern.

The sale of a going concern is where:

- the sale is for consideration
- the purchaser is registered or required to be registered for GST
- both parties agree in writing that the sale is of a going concern
- all of the things necessary for the continued operation of the business are supplied to the buyer
- the supplier carries on the business until the day it is sold.

Example: Sale of taxi business

You are an owner/driver and decide to sell your taxi business, which is made up of a taxi licence, motor vehicle and meter. The sale includes all things necessary to continue operating the business, including the licence, the motor vehicle and the meter. You continue to operate the business until the buyer takes over. This is a sale of a going concern.

If the licence, the motor vehicle or meter is sold on its own, it is not a sale of a going concern as all things necessary to continue operating the business have not been supplied.

Example: Sale of taxi licence/plate

You own a taxi licence which you lease out. You sell the taxi licence to a third party with the original lessee intact. The activity of leasing out a taxi plate is an enterprise. As the sale includes all things necessary for an enterprise to continue to operate, it is a sale of a going concern.

The sale of a taxi licence to the lessee of the licence, or the sale of the taxi licence to a third party without a lease intact, would not be a sale of a going concern.

See also

- Sale of a business as a going concern – supporting information
- GSTR 2002/5 *Goods and services tax: when is a 'supply of a going concern' GST-free?*

Record-keeping requirements

You must keep proper records of all transactions, including:

- total kilometres travelled (including travel without passengers)
- number of shifts worked
- total income (including cash, credit card and Cabcharge)
- expenses (for example, petrol and car washes).

Your records should include documents such as invoices and receipts to verify your income and expenses.

You must keep these records for five years after they were prepared, obtained or the transaction was completed, whichever is later.

See also

- Taxation Ruling TR 96/11 – *Income tax: record keeping – taxi industry – guidelines for recording taxi takings*
- Taxi industry – issues register

GST and vehicles purchased under novated leases

Describes how novated leases work and how GST applies if you enter into a novated lease arrangement.

Last updated 10 April 2017

Under a novated lease arrangement, you (the employer) take over all or part of the lessee's rights and obligations under the lease. This transfer of rights and obligations is agreed to in a deed of novation between you, the finance company and the lessee. The lessee is usually the employee, or an associate of the employee.

The deed of novation usually contains a clause that transfers the lease obligations back to the lessee on termination of the lease or when the employee ceases employment with you. In the latter case, this enables the employee to enter into a new novated lease arrangement with another employer.

See also

- TR 1999/15 *Income tax and fringe benefits tax: taxation consequences of certain motor vehicle lease novation arrangements.*

Full or split full novation

Find out about

- [How the arrangement works](#)
- [Accounting for GST](#)
- [Tax invoice requirements](#)

How the arrangement works

Under a full or split full arrangement, the following applies:

- your employee enters into a lease with a finance company

- you enter into a deed of novation (tripartite agreement) with your employee and the finance company.

Under the deed of novation, you may agree with your employee and the finance company to take on all, or some, of the employee's rights and obligations in the original lease agreement.

Full novation arrangement

Under a full novation arrangement, you are responsible for making the lease payments and guaranteeing the residual value of the vehicle at the end of the lease.

Split full novation arrangement

Under a split full novation arrangement, you are responsible for making the lease payments but you are not responsible for guaranteeing the residual value of the vehicle at the end of the lease. Your employee retains this obligation.

Under a deed of novation that involves a revocation of the original lease, the supply of the vehicle is made directly by the finance company to you, even if your employee retains the obligation to guarantee the residual value.

Accounting for GST

Finance company

Under a full or split full novation arrangement the finance company can claim a GST credit for the GST they paid on the purchase of the vehicle.

When the finance company leases the vehicle to you, the finance company is generally liable to pay GST to us on that lease.

You

When you lease the vehicle from the finance company, you can claim a GST credit for the GST included in the lease charges if the vehicle is being leased to you in the course of carrying on your business.

However, as a general rule, you cannot claim GST credits if you make input taxed sales.

A fringe benefit may arise where you are the lessee of a vehicle that is provided by you for the private use of the employee or associate of the

employee.

See also

- *GSTR 2001/3 Goods and Services Tax: GST and how it applies to supplies of fringe benefits*

Your employee

There are no GST consequences for your employee because your employee has not purchased or leased the vehicle. Although they have the use of the vehicle, it is part of their remuneration.

Associates

Associate arrangements vary from case to case. We recommend that you request a private ruling if you need more information.

See also

- Private ruling application form (not for tax professionals)
- Private ruling application form (tax professionals)

Tax invoice requirements

If you enter into a deed of novation, for GST purposes, you are the purchaser of the vehicle from the finance company. In this case, your employee is not considered to be acting in the capacity of an agent on your behalf.

If this lease to you is taxable, the finance company must provide you (not your employee) with a tax invoice, if requested. To be a valid tax invoice, it will need to include certain information, which includes enough information to enable your identity or Australian business number (ABN) (as the recipient) to be clearly identified.

We can treat a fully novated lease agreement (in the form of a tripartite agreement) as a tax invoice, provided it satisfies the information requirements for tax invoices.

We may treat a tax invoice held by you (but issued to the employee) as a tax invoice issued to the recipient of the sale. Such discretion would ordinarily be exercised in cases where we believe there would be large compliance costs imposed on entities to reissue such documents to you.

The Commissioner has also made a determination to waive the requirement for an employer to hold a tax invoice for a creditable acquisition of a vehicle under a novation arrangement before an input tax credit is attributable to a tax period in particular circumstances.

Where the arrangement does not involve the legal assumption of your employee's obligations under the lease and is merely a reimbursement or payment by you on behalf of your employee, you may be entitled to claim GST credits. The reimbursement is treated as payment for a purchase that you have made on behalf of your employee and you may claim GST credits even where you hold a tax invoice issued to your employee.

See also

- *WTI 2013/10 A New Tax System (Goods and Services Tax) Waiver of Tax Invoice Requirement (Acquisitions of a Motor Vehicle under a Full or Split Full Novated Lease Arrangement) Legislative Instrument 2013*
- When you need a tax invoice
- GSTR 2013/1 *Goods and services tax: tax invoices*
- [Partial novation](#)

Partial novation

Find out about

- [How the arrangement works](#)
- [Accounting for GST](#)
- [Tax invoice requirements](#)

How the arrangement works

Partial novation arrangements usually have two distinct lease agreements that is a lease agreement between either:

- the finance company and the employee for the vehicle
- you and your employee, where the employee separately sub-leases the vehicle to you. Under this arrangement, your employee foregoes the right to receive payments under the sub-lease. This is in exchange for your agreement to accept responsibility for the lease

payment obligations contained in the lease between the finance company and your employee.

Another form of partial novation is where you enter into a deed of novation with your employee and the finance company in addition to the original lease, rather than entering into a sub-lease with your employee.

In both types of partial novation arrangements, there is no agreement with the finance company that revokes the head lease.

Where you and your employee enter into a partial novation arrangement where the head lease agreement is not revoked, separate supply is made under each lease agreement.

Accounting for GST

Finance company

Under a partial novation arrangement, the finance company can claim a GST credit for the GST they paid in the purchase price of the vehicle.

Under both forms of partial novation arrangements, the finance company is making a taxable lease to your employee. The finance company will be liable to pay GST to us on this lease.

You

Under the sub-lease arrangement, you are the sub-lessee. You can only claim a GST credit for the vehicle you have leased if it is leased in the course of carrying on your business and the supply is a taxable supply to you. However, as a general rule, you cannot claim GST credits if you make input taxed sales.

Where the lessor in the sub-lease is your employee or an associate of your employee and the lessor is not registered or required to be registered for GST purposes, the lease made by them to you is not a taxable lease. This means that you are not entitled to a GST credit on the purchase of the vehicle from the lessor.

On the other hand, where the lessor in the sub-lease is an associate of your employee who is registered or required to be registered for GST purposes and the lease is made in the course of their business activities, it will be a taxable lease. You are therefore entitled to a GST credit for the lease. However, as a general rule, you cannot claim GST credits if you make input taxed sales.

Your employee

Generally, your employees cannot claim GST credits for the vehicle they purchase or lease from a finance company as they are not conducting a business whilst in the capacity of an employee and therefore cannot register for GST.

Associates

Associate arrangements vary from case to case. We recommend that you request a private ruling if you need more information.

See also

- Private ruling application form (not for tax professionals)
- Private ruling application form (tax professionals)

Tax invoice requirements

Under a partial novation arrangement the finance company makes the lease to your employee. If the lease is taxable, the finance company must issue a tax invoice to your employee if requested.

The lease from your employee to you will only be taxable where your employee is conducting a business and is registered or required to be registered for GST.

If this is the case, the employee must issue a tax invoice to you if requested.

See also

- When you need a tax invoice
- TR 1999/15 *Income tax and fringe benefits tax: taxation consequences of certain motor vehicle lease novation arrangements*

QC 16604

GST for driving schools and driving instructors

Driving schools and instructors must pay GST on the full fee charged on their services if GST registration is required.

Last updated 31 May 2018

If registered or required to be registered for GST, driving schools and instructors are liable to pay GST on the full fee charged for their services. This includes for:

- **driving schools** - the full fee charged to a learner driver for a driving lesson
- **driving instructors** - the fee charged to a driving school for the service of delivering a driving lesson.

Driving schools and driving instructors with a GST turnover, or projected GST turnover, which meets or exceeds the GST registration turnover threshold of \$75,000 must be registered for GST.

Driving schools and driving instructors with a GST turnover that does not meet the GST registration turnover threshold can still choose to register for GST.

Example 1: Driving instructor registered for GST

Handbrake Driving School (Handbrake) is registered for GST.

Katie, a driving instructor, provides driving lessons to learner drivers on behalf of Handbrake. Katie is an independent contractor, not an employee of Handbrake, and is registered for GST. Katie provides a service to Handbrake of delivering each driving lesson to the learner driver.

Handbrake receives \$66 per lesson from learner drivers, and pays Katie \$44 for her service of delivering the lesson to the learner driver.

Each driving lesson provided by Handbrake is a taxable supply and Handbrake is required to pay GST on the \$66 payments it receives. Handbrake includes \$6 GST in its activity statement.

Katie's service to Handbrake is a taxable supply and she is required to pay GST on the payments she receives. She provides

Handbrake with a tax invoice for \$44 and includes \$4 GST in her activity statement.

Handbrake is entitled to claim GST credits in its activity statement for its GST-inclusive business expenses, including a GST credit of \$4 for each payment made to Katie.

Katie is also entitled to claim GST credits for her GST-inclusive business expenses, for example, the petrol she uses in her car to provide lessons on behalf of Handbrake.

Example 2: Driving instructor not registered or required to be registered for GST

Handbrake also engages Joe, a driving instructor, to provide driving lessons to learner drivers on behalf of Handbrake. Joe is an independent contractor, not an employee of Handbrake. Joe provides a service to Handbrake of delivering each driving lesson to the learner driver.

Joe's GST turnover from his work as a driving instructor is \$45,000 for the year to date and is likely to be less than \$60,000 next year. He has no other enterprises through which he receives income.

As Joe's turnover is under the GST threshold of \$75,000, he is not required to be registered for GST, and he has chosen not to register for GST.

Handbrake receives \$66 per lesson from learner drivers and pays Joe \$44 for his service of delivering the lesson to the learner driver.

Joe does not account for any GST on the \$44 received from Handbrake and he is not required to lodge activity statements because he is not registered or required to be registered for GST.

For each lesson, Handbrake is required to pay GST on the \$66 received, and includes \$6 GST in its activity statement, but is not entitled to a GST credit in respect of the \$44 paid to Joe for the service of delivering the lesson because Joe's service to Handbrake is not a taxable supply.

See also

- Working out your GST turnover
- Registering for GST

Heavy vehicle driving schools

Heavy vehicle driving lessons provided to learner drivers by a registered training organisation (RTO), or its authorised agent or representative, are GST-free if they satisfy the requirements for the supply of an 'education course' under the GST law.

Types of 'education courses' include:

- a professional or trade course
- a tertiary course
- an adult and community education course.

When a heavy vehicle driving instructor provides heavy vehicle driving lessons to a learner driver on behalf of a driving school, the instructor's supply to the driving school is not GST-free.

The services provided by the instructor to the driving school are subject to GST if the instructor is an independent contractor and registered for GST or required to be registered for GST.

Example 3: Heavy Vehicle driving instructor registered for GST

Handbrake Heavy Vehicle Driving School (Heavy Handbrake) is registered for GST.

The driving lessons provided by Heavy Handbrake satisfy the requirements of a GST-free education course.

Rod, a heavy vehicle driving instructor, provides driving lessons to learner drivers on behalf of Heavy Handbrake. Rod is an independent contractor, not an employee of Heavy Handbrake, and is registered for GST. Rod provides a service to Heavy Handbrake of delivering each driving lesson to the learner driver.

Heavy Handbrake receives \$110 per lesson from learner drivers and pays Rod \$66 for his service of delivering the lesson to the learner driver.

Each driving lesson provided by Heavy Handbrake is GST-free. Heavy Handbrake is not required to pay GST on the payments it receives and does not have to include GST in its activity statements.

Rod's service to Heavy Handbrake is a taxable supply and he is required to pay GST on the payment he receives. He provides Heavy Handbrake with a tax invoice for \$66 and includes \$6 GST in his activity statement.

While Heavy Handbrake is not required to pay GST on the payments it receives, it is entitled to claim GST credits in its activity statement for its GST-inclusive business expenses, including a GST credit of \$6 for each payment made to Rod.

See also

- *GSTR 2003/1 Goods and services tax: supplies that are GST-free as a professional or trade courses*
- **GST and Adult and Community Education Courses**

QC 55805

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.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).