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## Explanatory Statement

# Goods and Services Tax: Simplified Method to Apportion Input Tax Credits Determination (No. 32) 2016 for Caravan Park Operators

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### General outline of determination

1. This determination is made under subsection 11-30(5) of the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act).
2. This determination allows caravan park operators who choose to treat supplies of long-term accommodation as input taxed and who also make other taxable supplies of short-term accommodation on the same premises, to use a simplified method of apportioning input tax credits to work out their entitlement on all their non-capital acquisitions.
3. The determination is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

### Date of effect

4. The determination commences on the day after registration.

### What is this determination about

5. A caravan park operator that treats long-term accommodation as an input taxed supply and also makes taxable supplies of short-term accommodation on the same premises, will need to work out the extent of creditable purpose for their creditable acquisitions and claim the input tax credits accordingly.
6. If the scenario in paragraph 6 applies, the determination provides a simplified method to calculate the input tax credit entitlement for non-capital acquisitions that relate to input taxed supplies of long-term accommodation and taxable supplies including short-term accommodation and shop sales.

## What is the effect of this determination

7. For a tax period, caravan park operators may choose to use this simplified method of working out their entitlement to input tax credits for acquisitions that the determination applies to as follows:

### Step A

identify the GST paid on non-capital acquisitions which would normally have to be apportioned

### Step B

identify the total income from long-term accommodation and multiply it by the industry factor (set at 1.75%)

### Step C

A minus B equals the amount of input tax credits that can be claimed on non-capital acquisitions

8. The caravan park operator must claim input tax credits for capital acquisitions under the normal GST rules.
9. Compliance cost impact: minor- there will be no or minimal impacts for both implementation and ongoing compliance costs. The legislative instrument is minor or machinery in nature.

## Background

10. This determination replaces *A New Tax System (Goods and Services Tax) (Simplified Method to Apportion Input Tax Credits for Caravan Park Operators Who Input Tax Supplies of Long-term Accommodation) Determination 2001/1* (the previous determination) - F2005B01975. The replaced instrument is repealed on commencement of this determination.

## Consultation:

11. Section 18 of the *Legislative Instruments Act 2003* specifically provides for circumstances where consultation may not be necessary or appropriate. One of those circumstances is where the instrument is considered minor or machinery in nature, and does not substantially change the law.
12. This simplified method involves the use of a factor to calculate input tax credits on non-capital acquisitions. The factor was set in consultation with the caravan park industry based on a broad analysis of the expenditure and income patterns in a number of caravan parks in the development of the previous determination.
13. There is no substantive change from the previous determination therefore the determination is considered minor or machinery in nature. As such, no further consultation has been undertaken in the development of this determination.

*Legislative references:*

*A New Tax System (Goods and Services Tax) Act 1999*

*Legislative Instruments Act 2003*

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**Timothy Dyce**  
**Deputy Commissioner of Taxation**  
24 February 2016

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## **Statement of Compatibility with Human Rights**

This statement is prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

### **Goods and Services Tax: Simplified Method to Apportion Input Tax Credits Determination (No. 32) 2016 for Caravan Park Operators**

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

#### **Overview of the Legislative Instrument**

This Legislative Instrument allows a caravan park operator who provides input taxed long-term accommodation and taxable supplies of short-term accommodation on the same premises, to use a simplified method to work out the extent of creditable purpose for non-capital acquisitions for GST purposes. The simplified method was worked out in consultation with caravan park operators in the development of the Legislative Instrument that it is replacing.

#### **Human rights implications**

This Legislative Instrument does not engage any of the applicable rights or freedoms as it is considered to be minor or machinery in nature and does not substantially change the law.

#### **Conclusion**

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.