



GST on dealer swaps

The Australian Taxation Office (ATO) has issued advice which supports Grant Thornton's stance on the GST treatment of **holdback** in relation to dealer swaps.

As you will be aware from 1 July 2005 holdback payments from manufacturers/importers no longer attracts GST. Since then there has been some confusion regarding the impact of this change on holdback when a dealer swap takes place.

Our advice to our dealer base has been that **GST does apply** on holdback paid between dealers when a swap takes place.

This position has been confirmed in a letter received from the ATO to the Motor Traders Association of Australia (MTAA) of which we have highlighted the key points below.

New vehicles on floorplan

Question 1

What are the GST consequences in respect of a holdback payment, where a vehicle owned by a finance company and held on floorplan is swapped to another dealer and an amount equivalent to the holdback is paid to the dealer accepting the swap?

Answer 1

The amount (equivalent to the holdback) received is consideration for a taxable supply (i.e. acquiring dealer is required to remit 1/11th to the ATO).

New vehicles owned by the dealership

Question 2

What are the GST consequences in respect of the holdback payment, where a vehicle is owned by a dealer and that dealer agrees to sell/swap that vehicle to another dealer and pays an amount equivalent to the holdback paid by the manufacturer/importer to the dealer accepting the swap in a different tax period in which the vehicle was supplied between dealers?

Answer 2

The payment is a change in consideration, therefore is an adjustment event for both dealers. When an adjustment event occurs the ATO requires the effected activity statement to be amended to correctly reflect the GST consequences of the transaction.

Question 3

What are the GST consequences in respect of the holdback payment and pre-delivery cleaning costs etc. where a vehicle is owned by a dealer and that dealer agrees to sell/swap

that vehicle to another dealer and they agree on an amount of consideration that is the wholesale price reduced by an amount equivalent to the holdback paid by the manufacturer/importer and increased by the pre-delivery cleaning costs?

Answer 3

The supply of the motor vehicle is for an agreed amount of consideration. The amount equivalent to the holdback payment passed on as a discount on the consideration on the supply, as agreed to by the parties, has no other GST consequences.

The above ATO guidance highlights the importance of considering the GST impact on each dealer swap and ensuring the necessary documentation and procedures are in place at your dealership to minimise any exposure.

Should you require any further information on this issue please do not hesitate to contact one of our Motor Dealer Services team:

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