



## Australian Government

### The Treasury

## IMPOSING A FOUR YEAR LIMIT ON CLAIMING CREDITS

### SUMMARY OF CONSULTATION PROCESS

The Government announced on 12 May 2009 that it would implement most of the recommendations of the Board of Taxation's report on GST administration. This included the Board's recommendation to impose a consistent four year limit on claims for input tax and fuel tax credits.

This measure was included in Tax Laws Amendment (2009 GST Administration Measures) Bill 2009, which was introduced into Parliament on 25 November 2009.

#### Consultation process

Consultation on a discussion paper was conducted between 12 May 2009 and 10 June 2009. [Five public submissions](#) were received dealing with this measure.

Consultation on the draft legislation was conducted between 6 October 2009 and 27 October 2009. [Six submissions](#) were received (one confidential) dealing with this matter.

#### Summary of key issues

*Submissions to the initial consultation discussing this issue were generally in broad agreement with the principle underlying the proposed measure. However, concerns were expressed about the date of application and the exceptions where the four year rule would not apply.*

*Submissions on the draft legislation also focused on the exceptions to the four year limitation period.*

*A common issue in a number of the submissions was the lack of clarity in the proposed provisions. Most of the other matters raised related to the scope of the exceptions. A number requested that all input tax credits related to a taxable supply, or a taxable supply that is the subject of a notice by the Commissioner should be available. There were also suggestions that there should be a general carve-out where the taxpayer has not held a tax invoice or that the Commissioner should be able to waive the application of the four year rule in those cases. One submission also suggested that the restriction could be more simply imposed by applying to the attribution of input tax credits rather than the entitlement to those credits.*

*To address the issues raised in relation to the proposed exceptions, the Government further developed and clarified the exceptions to the four year limit. A new special rule was also introduced to address cases where contractual clauses would result in GST effectively being passed onto a recipient after four years.*



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*A number of the proposed changes to the exemptions were not made. Some were not made as the relevant underlying issue was addressed by the changes that were made. Others were not made as the Government considered that suggested changes were not consistent with its policy intent in introducing the rule. The suggested changes to the application date were also not made as the Government considers that the measure should commence from announcement on 12 May 2009.*

*The Government has revised the draft legislation and the associated explanatory material to improve its clarity. A number of other minor amendments were made to address operational issues and uncertainty about the scope of the exceptions. The issues concerning attribution and entitlement were considered in drafting but no change was made due to potential technical problems with the changes to the attribution rules and concerns with leaving input tax credits in existence but unattributable.*

*Some submissions also expressed concerns relating to the wider operation of the input tax credit and attribution rules. These wider issues were outside the scope of this measure and will be examined in the context of the Government's announcement measure concerning self-assessment.*

#### **Feedback**

Feedback on the consultation process for this measure can be forwarded to [consultation@treasury.gov.au](mailto:consultation@treasury.gov.au) . Alternatively, you can contact Phil Bignell on (02) 6263 4372.

Thank you to all participants in the consultation process.