

April 2008 Fordham Motor Dealer Services

## GST on Holdback Claims

Is the holdback component of dealer swaps a taxable supply, and therefore, subject to GST?

The ATO addressed this issue in 2005. The ATO advice, in brief, is as follows:

- Where a vehicle is owned by a finance company and held on the floor plan arrangement of one dealer and the vehicle is transferred to another dealer and the original dealer agrees to pay an amount equivalent to the holdback payment to the dealer accepting the transfer, **the amount (equivalent to the holdback) received is consideration for a taxable supply;**
- Where the vehicle is owned by a dealer and the vehicle is sold to another dealer, and an amount equivalent to the holdback is paid to the accepting dealer, but in a different tax period from that in which the vehicle was supplied, the payment of the **holdback is a charge in consideration and therefore an adjustment event for both dealers;** and
- Where the vehicle is owned by a dealer and the vehicle sold to another dealer and the amount of consideration is reduced by an amount equivalent to the holdback payment and increased by the pre-delivery cleaning cost incurred by the first dealer, the holdback payment 'passed on as a discount on the consideration of the supply as agreed by the parties, has no other GST consequence' and the pre-delivery cleaning cost forms part of the value of supply **and is subject to GST.**

As such, the GST holdback on dealer swaps is considered a taxable supply. These items should **not** be included in your potential holdback claim to the ATO.

**Should you wish to discuss this matter further, please do not hesitate to contact one of our Fordham Motor Dealer Services team:**

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