

**ADDENDUM TO ADMINISTRATIVE PRACTICE NOTE ON CHANGES IN TAX TREATMENT OF MOTOR CARS CONSEQUENT TO VEHICLE TAX RATIONALISATION
- GST TREATMENT FOR RENTAL CARS HIRED FOR USE**

INTRODUCTION

1. With reference to 1999/IT/1, the statement clarifies the changes to the tax treatment of various categories of motor cars such as company cars, rental cars, etc. following the vehicle tax rationalisation exercise in April 1998.
2. In the case of rental cars hired for use, it was provided that for income tax purposes, all expenses incurred on or after 1 April 1998 for the use of such cars, regardless of whether they bear SZ-plate or S-plate registration numbers, would not be allowed as deductions.
3. There was no change in the GST treatment for hirers of rental cars. The hirers could continue to claim the input tax payable on expenses incurred in respect of such cars. This GST treatment has since been reviewed.
4. This Practice Note sets out the new GST treatment that would apply to hirers of rental cars with regard to claims for input tax payable on expenses incurred in respect of such cars.

ADMINISTRATIVE PRACTICE

5. In line with the income tax treatment of rental cars hired for use, it has been decided that the hirers of rental cars should also not be allowed to claim the input tax on expenses incurred in respect of such cars.
6. This tax change applies to all such expenses incurred on or after 1 July 1999.
7. GST-registered traders who have already submitted their GST returns (GST F5) and have made a claim for input tax on expenses incurred on or after 1 July 1999 in respect of rental cars should back out the input tax which is not allowable and make the necessary adjustments in the next GST return to reflect this reversal. For this purpose, the trader should reduce the amount in the taxable purchases box and the input tax box of the next GST return by the amount of expenses incurred and the non-allowable input tax claimed, respectively.

Amendments to the GST Act

8. The GST legislation has been amended. (GN S461/99)