

GST – do you need to register?

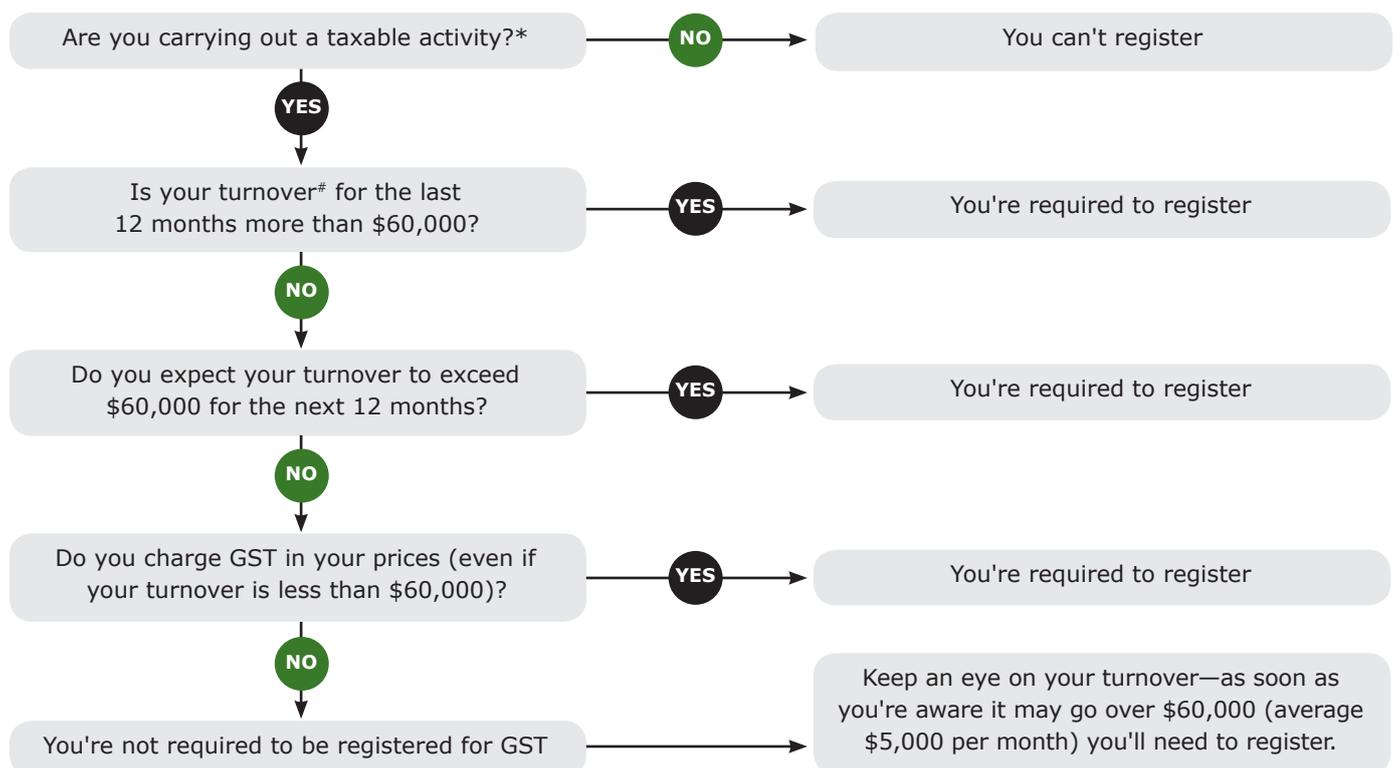
This factsheet helps you decide if you need to register for GST. If you decide to register you can do this through myIR Secure Online Services. For more information about GST go to www.ird.govt.nz/gst/

What is GST?

GST (goods and services tax) is a tax on most goods and services supplied in New Zealand by registered persons. It also applies to most imported goods, and certain imported services. GST of 15% is added to the price of taxable

goods and services. If you're a GST-registered business, you pay GST on your supplies and collect GST on your sales. The difference between these two is what you pay to Inland Revenue.

STEP 1 Deciding to register



Note: Not sure if you charge GST in your prices? If you're part of an organisation or company, check with them to see if GST is included, eg, taxi drivers. If not, do you show GST on receipts etc or tell your customers they're paying GST?

* **What is a taxable activity?** Any activity carried out continuously or regularly by a business, trade, manufacturer, professional person, association or club. It includes any activity that supplies, or intends to supply, goods and services to someone else for consideration (money, compensation or reward) but not necessarily for profit. It doesn't include: working for salary and wages, being a company director, hobbies or any private recreation pursuit, private transactions such as the occasional sale of household or domestic items, making exempt supplies.

How is turnover calculated? The total value of taxable supplies in all your business activities, including grants and subsidies you receive or barter transactions, excluding any GST. This is not your profit as your expenses are not deducted when determining your turnover.

Accounting basis

The way you choose to claim and pay your GST is called an accounting basis. There are three methods of accounting for GST. The two most used methods are the payments basis and the invoice basis.

Accounting basis	Who can use it
Payments basis	<p>A registered person can use this basis if the total amount of sales:</p> <ul style="list-style-type: none"> was \$2 million or less in the last 12 months, or is unlikely to be more than \$2 million in any 12-month period beginning on the first day of any month. <p>A registered person with turnover of more than \$2 million may be able to use this basis. Go to www.ird.govt.nz (keyword: GST-registered).</p>
Invoice basis	Any registered person can use this basis.
Hybrid basis	Any registered person can use this basis, but it's not commonly used by small businesses.

Payments basis

Using the payments basis you account for GST at the end of the taxable period that you make or receive the payment in. The payments basis is a good way to help businesses manage their cash flow. You only pay GST to us after you've received payment from your customers and you only claim GST for the purchases and expenses you've paid for.

Note: Around 78% of businesses choose the payments basis for their GST accounting basis.

Invoice basis

Using the invoice basis you claim GST when you receive an invoice and you account for GST at the earlier of issuing an invoice or receiving payment.

This means if you've issued or received an invoice during a taxable period then:

- you pay us the amount of GST shown on the invoices you've given to your customers (regardless of whether you've received a payment or not), or
- you pay us the GST included in a payment you've received (even if you haven't raised an invoice), and
- you claim a credit for the amount of GST shown on tax invoices you've received from your suppliers (regardless of whether you've paid your supplier).

Hybrid basis

A less frequently used method is the hybrid basis, which is a combination of the invoice and payments bases. GST on sales and income is accounted for using the invoice basis and GST on expenses and purchases is accounted for when payment is actually made. This method can be complicated and is not commonly used by small businesses.

Taxable periods/filing frequency

A taxable period is how often you file your GST returns, ie, monthly, two monthly or six monthly. This may also be known as your filing frequency.

Taxable period	Who can use it
Monthly	Any registered person. If taxable supplies* exceed or are likely to exceed \$24 million in any 12 months you must use a monthly period.
Two monthly	Any registered person provided they don't meet the criteria for having to use the monthly period.
Six monthly	A small business whose turnover hasn't exceeded \$500,000 in the last 12 months and is unlikely to exceed this in the next 12 months.

* Taxable supplies are goods and services you provide in your business.

Monthly

Anyone can choose to file GST returns monthly. You may choose monthly returns if you're entitled to frequent GST refunds, such as exporters.

Two monthly

You can choose to file your returns on odd or even months. Preparing your GST accounts every two months helps keep you on top of your GST requirements. Many businesses say that completing GST returns every two months helps them keep in touch with business progress.

Six monthly

Preparing your GST accounts every six months may be an option for smaller businesses with fewer transactions. You can apply to file your returns six-monthly if the value of your total sales:

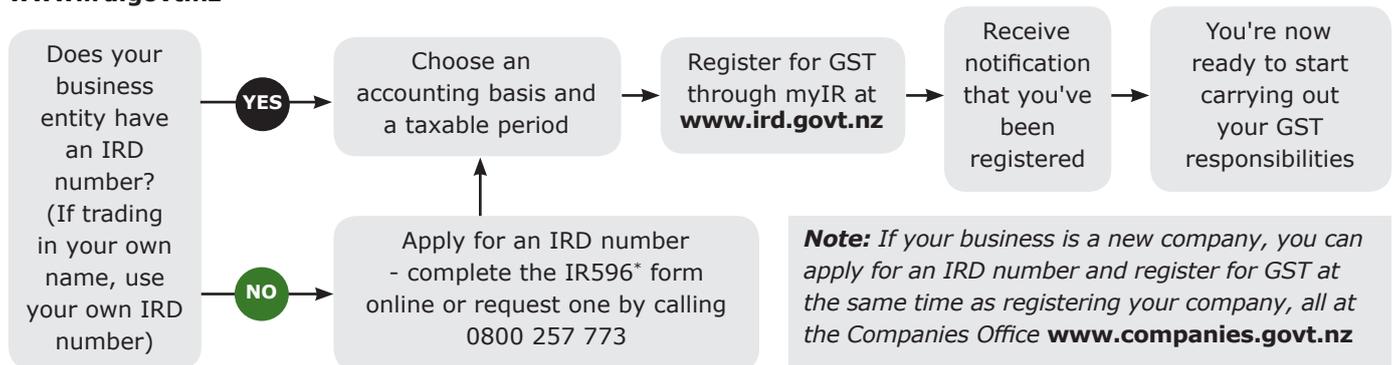
- was not more than \$500,000 in the last 12 months, or
- is unlikely to be more than \$500,000 in the next 12 months.

GST and provisional tax—if you're liable for provisional tax your taxable period will need to be aligned with your balance date.

STEP 3

Registering for GST

If you're required to register, or wish to voluntarily register, you can do this through myIR secure online services at www.ird.govt.nz



* IRD number application – non-individual (IR596)

STEP 4

Completing the online registration

myIR registration

It's easy to complete the online GST registration. Your personal details will be pre-populated and help text messages will be available to assist you. Error messages will continue to display if an invalid entry is made.

When you complete your GST registration through myIR, in most cases you'll receive immediate confirmation of your GST number and registration details. Then, each time your GST return is due for filling, we'll advise you when the return is available in myIR for you to complete and submit by the due date.

Backdating registration

In exceptional circumstances we may approve an application to backdate your registration.

To find out more, read our standard practice statement SPS 18/03: *Effective date of GST registrations* at www.ird.govt.nz

If you're applying to backdate your registration, complete the *GST registration (IR360)* form in myIR.

Make sure you have the following:

- a myIR account
- the IRD number to be registered
- BIC (business industry classification) code - if you don't have your code you can get it from www.businessdescription.co.nz
- bank account number (for refunds).

STEP 5

What happens next?

Now that you've registered you need to:

- keep records
- issue invoices for sales, etc
- file GST returns—do this online by logging into myIR at www.ird.govt.nz or through your accounting software
- pay any GST owing.

Remember you need to deregister when you're no longer in business or charging GST—see www.ird.govt.nz/gst/

Voluntary registration

If your turnover is less than \$60,000 and you don't charge GST in your prices, you don't have to register for GST. You may wish to voluntarily register.

Advantages

- You can claim back GST on purchases, including capital items.
- You can claim back GST on secondhand goods purchased from someone who isn't registered that you've bought to use in your business.
- You can claim GST on business set-up costs.
- Completing regular returns helps keep your records up to date and accurate.

Disadvantages

- You need to account for GST on all of your taxable supplies.
- Complying with GST requirements takes time, as you need to file returns and make payments on time to avoid late filing and payment penalties.
- You can't claim GST paid on exempt supplies.
- You need to pay GST on the current market value of assets when you sell them or deregister.

Online tools

"Tool for business" is an interactive tool that explains what you need to know about business tax. Go to www.ird.govt.nz (keyword: tfb).

File your GST return online through myIR secure online services at www.ird.govt.nz

Non-profit bodies

Non-profit bodies can apply in writing to have each branch and division registered separately. However, each branch or division must maintain its own accounting system and:

- be in a separate location, or
- carry out different activities.

Branches and divisions with a turnover of:

- more than \$60,000 for any 12-month period must register
- less than \$60,000 for any 12-month period may voluntarily register.

What is a non-profit body?

Any society, association or organisation:

- that is not operated for profit or gain of any member, and
- whose rules prevent the distribution of money or property to any of its members, proprietors or shareholders.

Examples include charitable organisations, sports clubs, parent-teacher associations (PTAs), churches, social clubs.

Special registration

For information on separate branches, divisions, groups and agent or representative types of registration, see our website www.ird.govt.nz/gst/ (keyword: registration).

Non-resident GST business claimants

Non-resident businesses that don't carry out a taxable activity in New Zealand, but receive goods or services here, may be able to register for and claim GST. For full details go to www.ird.govt.nz (search keywords: non-resident GST).



www.ird.govt.nz

Go to our website for information and to use our services and tools.

- **Log in or register for myIR** to manage your tax and entitlements online.
- **Demonstrations** - learn about our services by watching short videos.
- **Get it done online** - complete forms and returns, make payments, give us feedback.
- **Work it out** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our forms and guides.

Forgotten your myIR user ID or password?

Request a reminder of your user ID or reset your password online. You'll need to know your IRD number and have access to the email address we hold for you.

FREE ADVISORY SERVICE

Our community compliance officers run free tax seminars and workshops for new businesses and organisations. For more information or to register to attend one of these sessions go to www.ird.govt.nz (search keyword: seminar) or phone 0800 377 774.

[New Zealand Government](http://www.ird.govt.nz)